



بنك الإمارات دبي الوطني
Emirates NBD

Economics

3 August 2017

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Egypt PMI: Stabilisation and some green shoots

Egypt's headline PMI rose to 48.6 in July, its highest reading in a year. While the index still shows deteriorating conditions in the non-oil economy, the severity of the contraction has eased significantly since Q4 2016. Encouragingly, new orders were unchanged m/m in July, after declining every month since September 2015. New export orders increased marginally in July, but the rate of increase has slowed since May and June.

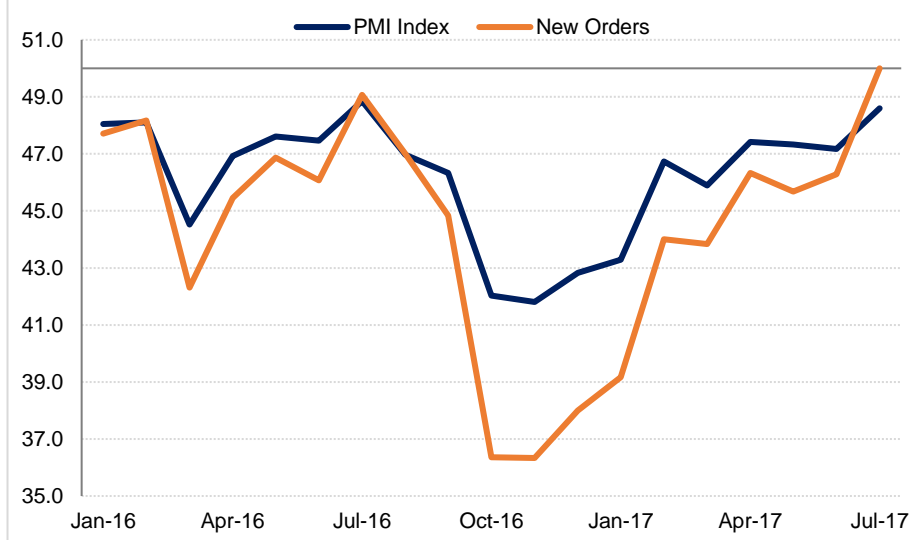
Price pressures increased at a faster rate in July, as further cuts to fuel subsidies came into effect. The overall input price index jumped to 79.5 in July from 66.7 in June, and was the highest reading in six months. Most of the inflationary pressure was evident in the cost of purchases, with staff costs rising at a much slower rate. As a result of higher input costs, selling prices rose at the fastest rate in five months. Firms noted that higher prices weighed on underlying demand conditions.

Employment continued to decline on average in July, despite more encouraging new orders and output data. Some firms surveyed noted that some employees retired or left to pursue other opportunities. Purchasing activity slowed as a result of lower output, and stocks of inventories declined sharply in July. Nevertheless, firms remain broadly optimistic about prospects over the coming 12 months, with the future output index at 69.2 in July. However, this was the lowest reading for this index year-to-date.

The central bank recently increased interest rates by another 200bp in a bid to contain inflationary pressure. While imported inflation is likely to ease off the high base, and supported by the recent stability/modest appreciation of the exchange rate, inflation is likely to be fuelled by further subsidy cuts and tariff increases: higher electricity tariffs have been approved and came into effect this month.

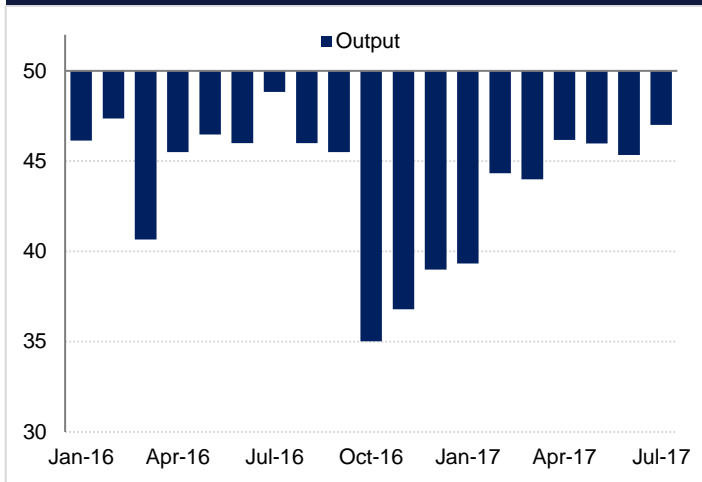
The July PMI survey continues to show stabilisation and some green shoots in the Egyptian private sector. However, business conditions remain challenging.

Emirates NBD Egypt Purchasing Managers' Index



Source: IHS Markit, Emirates NBD Research

Output



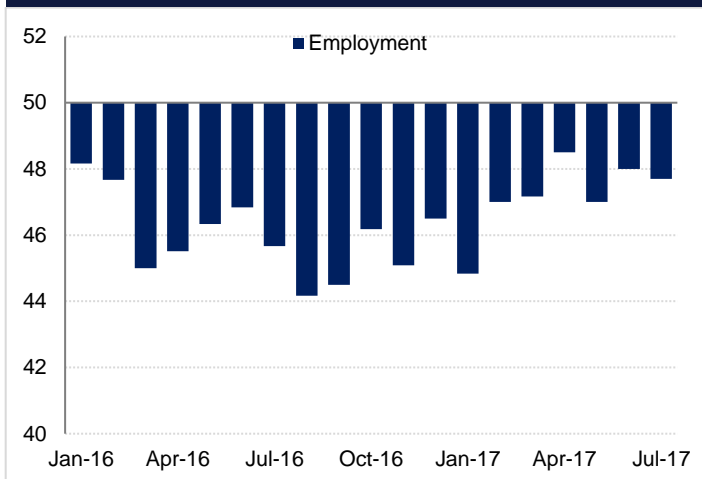
Source: IHS Markit, Emirates NBD Research

New Orders and New Export Orders



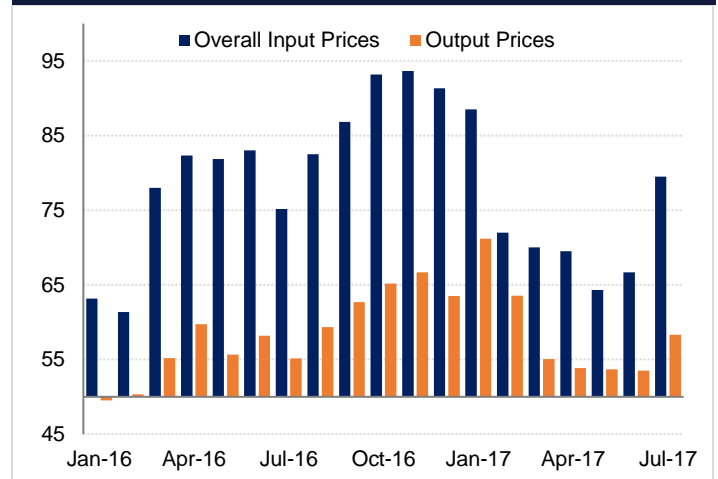
Source: IHS Markit, Emirates NBD Research

Employment



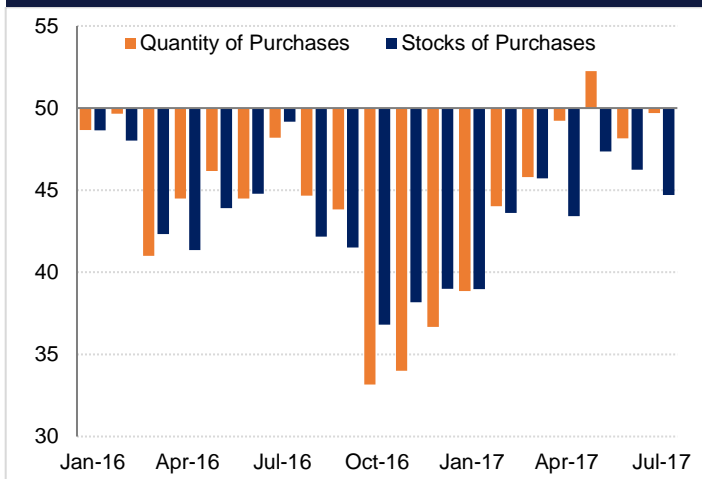
Source: IHS Markit, Emirates NBD Research

Input Costs & Output Prices



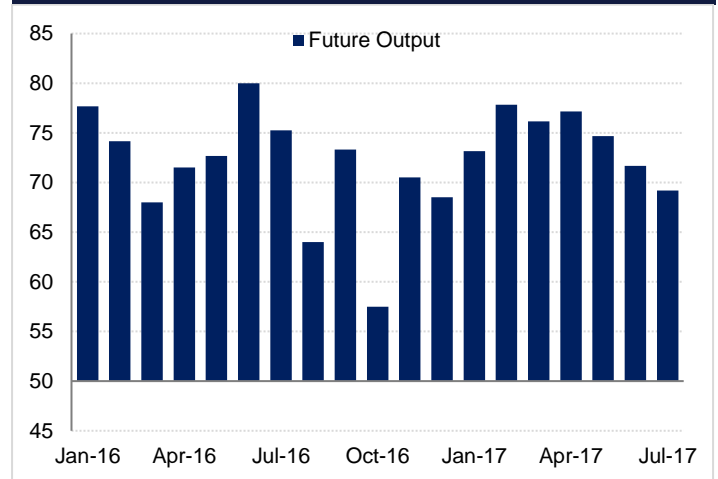
Source: IHS Markit, Emirates NBD Research

Inventories & Purchasing Activity



Source: IHS Markit, Emirates NBD Research

Future Output (Business Optimism)



Source: IHS Markit, Emirates NBD Research

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