



بنك الإمارات دبي الوطني
Emirates NBD

Economics

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Khatija Haque
Head of MENA Research
+971 4 230 7803
khatijah@emiratesnbd.com

Egypt PMI rises in August

Egypt's headline PMI rose to 48.9 in August, the highest reading since July 2016. Nevertheless, the index remains below the neutral 50.0 level, indicating a further modest deterioration in business conditions last month. Output declined at a slower rate than July and new orders were only slightly down on average last month. Overall new order growth was supported by higher export orders, which increased at the fastest rate in three months in August.

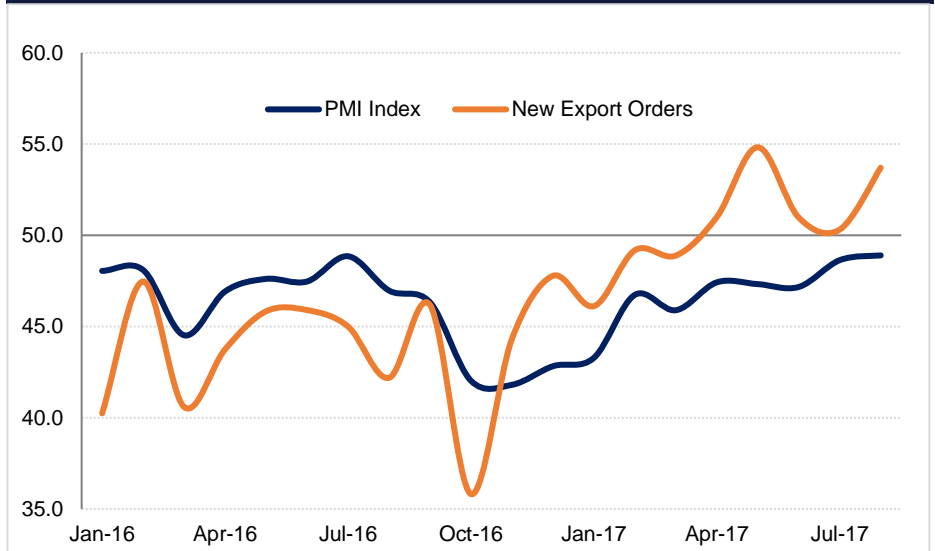
However, a key theme that was evident in the survey commentary once again was that **high inflation continued to weigh on domestic demand and business activity.** Overall input prices increased sharply in August, albeit at a slower rate than July. Higher electricity tariffs came into effect at the start of last month which would have contributed to higher input costs across the board. Some of these higher input costs were passed on to clients, with output (selling) prices rising at a faster rate than in July.

Staff costs also increased markedly as firms responded to higher living costs by raising salaries. However, firms also reduced employment at a faster rate in August, with the employment index declining to 47.3, the lowest reading in three months.

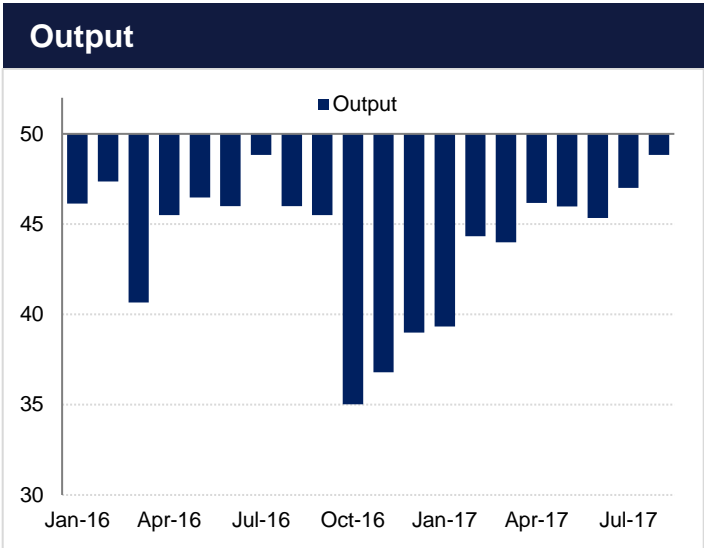
Despite the decline in output and employment last month, **firms' optimism increased to the highest level since February this year.** 64% of panellists expected their output to rise over the next twelve months, compared to just 49% in July's survey. Less than 10% of firms expected their output to decline over the coming year.

Overall, the survey data for August supports our view that Egypt's economy is stabilising after the shocks of devaluation, higher interest rates and difficult economic reforms. The data on export orders is particularly encouraging and as inflationary pressures start to ease, we expect domestic demand to show signs of recovering as well.

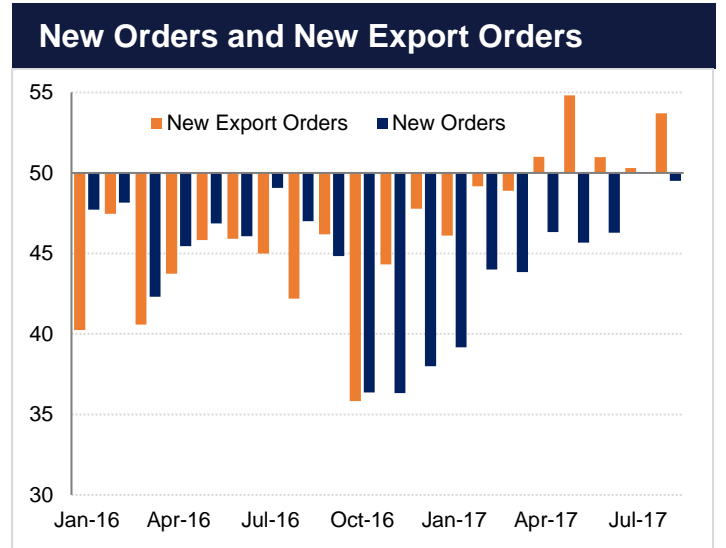
Emirates NBD Egypt Purchasing Managers' Index



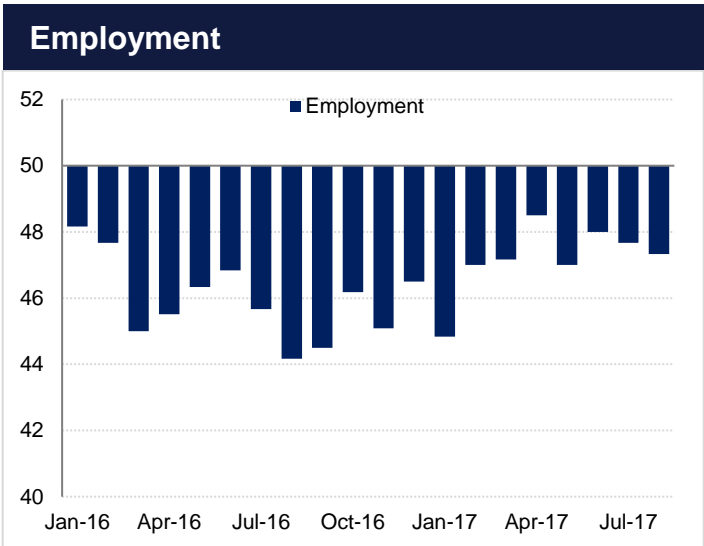
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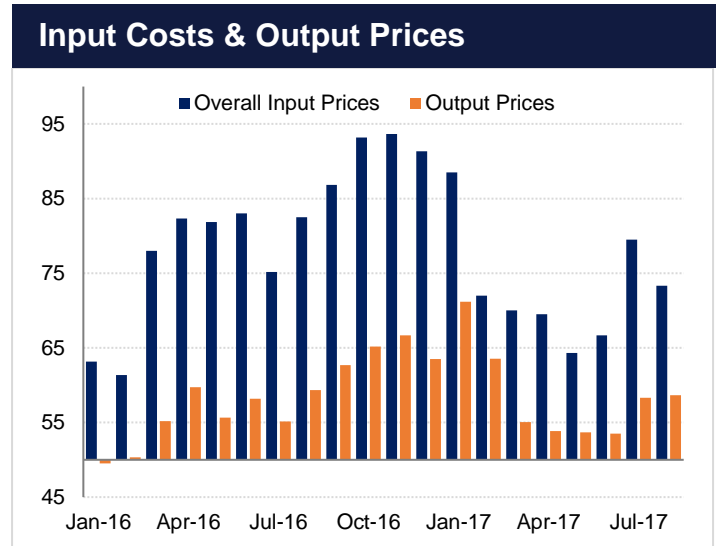
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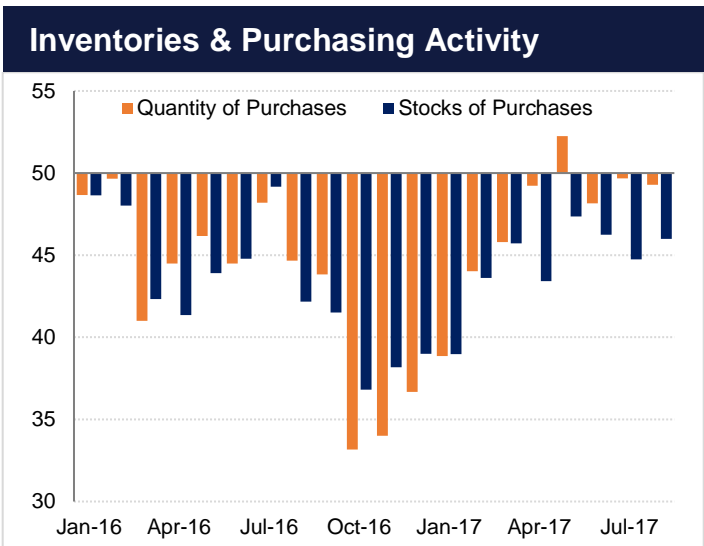
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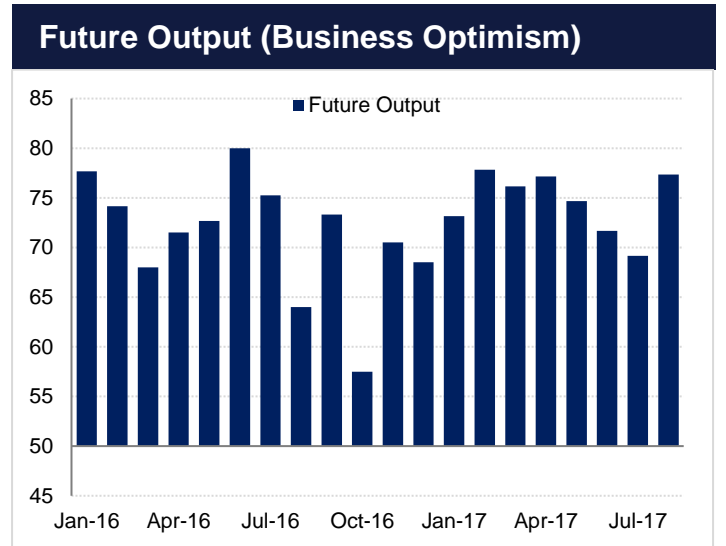
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Emirates NBD Research & Treasury Contact List

Emirates NBD Head Office
12th Floor
Baniyas Road, Deira
P.O.Box 777
Dubai

Jonathan Morris
General Manager Wholesale Banking
JonathanM@emiratesnbd.com

Aazar Ali Khwaja
Group Treasurer & EVP Global Markets &
Treasury
+971 4 609 3000
aazark@emiratesnbd.com

Tim Fox
Head of Research &
Chief Economist
+9714 230 7800
timothyf@emiratesnbd.com

Research

Khatija Haque
Head of MENA Research
+9714 230 7803
khatijah@emiratesnbd.com

Anita Yadav
Head of Fixed Income Research
+9714 230 7630
anitay@emiratesnbd.com

Shady Shafer Elborno
Head of Macro Strategy
+9714 2012300
shadyb@emiratesnbd.com

Athanasios Tsetsonis
Sector Economist
+9714 230 7629
athanasiost@emiratesnbd.com

Edward Bell
Commodity Analyst
+9714 230 7701
edwardpb@emiratesnbd.com

Mohammed Al-Tajir
Manager, FX Analytics and Product Development
+9714 609 3005
mohammedtaj@emiratesnbd.com

Aditya Pugalia
Analyst
+9714 230 7802
adityap@emiratesnbd.com

Sales & Structuring

Group Head – Treasury Sales
Tariq Chaudhary
+971 4 230 7777
tariqmc@emiratesnbd.com

Saudi Arabia Sales
Numair Attiyah
+966 11 282 5656
numaira@emiratesnbd.com

Singapore Sales
Supriyakumar Sakhalkar
+65 65785 627
supriyakumars@emiratesnbd.com

London Sales
+44 (0) 20 7838 2241
vallancel@emiratesnbd.com

Egypt
Gary Boon
+20 22 726 5040
garyboon@emiratesnbd.com

Emirates NBD Capital

Ahmed Al Qassim
CEO- Emirates NBD Capital
AhmedAQ@emiratesnbd.com

Hitesh Asarpota
Head of Debt Capital Markets.
+971 50 4529515
asarpotah@EmiratesNBD.com

Investor Relations

Patrick Clerkin
+9714 230 7805
patricke@emiratesnbd.com

Group Corporate Affairs

Ibrahim Sowaidan
+9714 609 4113
ibrahims@emiratesnbd.com

Claire Andrea
+9714 609 4143
clairea@emiratesnbd.com