بنك الإمارات دبي الوطني
Emirates NBD

Egypt PMI turns positive in November

Economics
5 December 2017

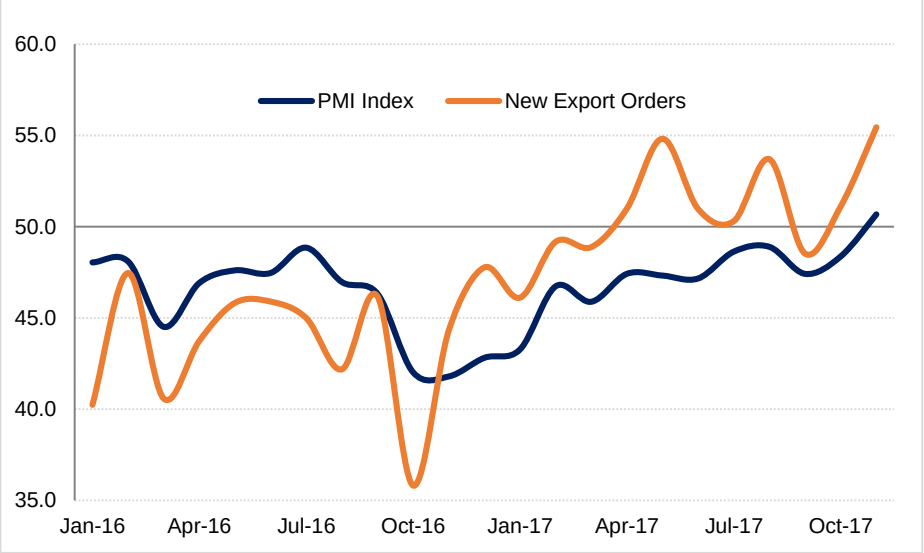
Egypt's PMI readings turned positive in November, signalling an expansion in the non-oil sector for the first time in over two years. The headline figure rose to 50.7, from 48.4 in October, the first time it had risen above the neutral 50.0 level since September 2015. This suggests that the wide-ranging economic reforms embarked upon in November 2016 as part of an IMF-sponsored programme are beginning to bear fruit, and that the outlook for the Egyptian economy is starting to improve.

One of the central reforms undertaken by Egypt was to allow the overvalued local currency to free float in November 2016, prompting the pound to lose around 50% against the U.S. dollar. The mixed effects of this can be seen in the latest PMI data. **A more competitive currency has made Egyptian exports more attractive, and in November, new orders from abroad grew at the fastest pace on record.** 16.4% of firms saw higher imports from overseas, reportedly due to increased demand from neighbouring economies, while no firms signalled a drop in overseas demand.

On the other hand, the input price index remained well over 50 in November, at 63.3, despite having moderated. Respondents noted that imported raw materials such as iron had increased in price, while wage increases continued for the 31st month running. Firms are struggling to pass on these increases to customers, and the November survey showed the lowest reading in the output prices index since February. Panellists highlighted that strong competition limited their pricing power. With firms' margins squeezed, job shedding continues, with employment falling for the 30th month running.

Nevertheless, despite current difficulties, firms remain overwhelmingly positive about Egypt's trajectory, with 68.7% expecting higher output in 12 months' time than currently. While this is moderately lower than the 70.7% of firms that expected higher output last month, the proportion anticipating lower output has fallen from 10.3% in October to just 5.0%. Strong sentiment towards future prospects chimes with our view that the Egyptian economy will continue to strengthen over the coming quarters.

Emirates NBD Egypt Purchasing Managers' Index



Source: IHS Markit, Emirates NBD Research

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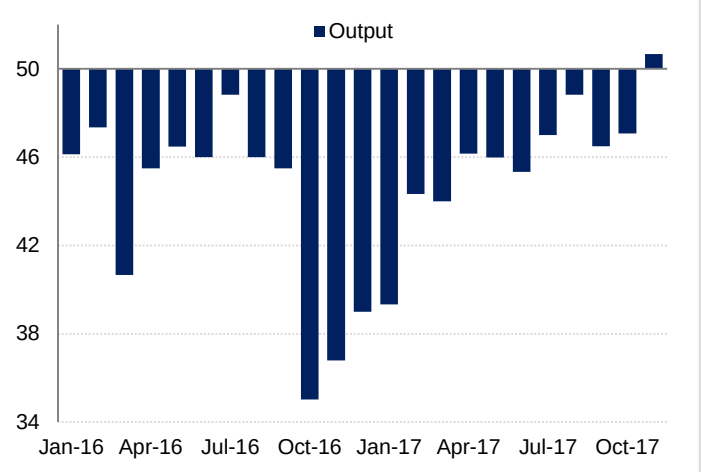
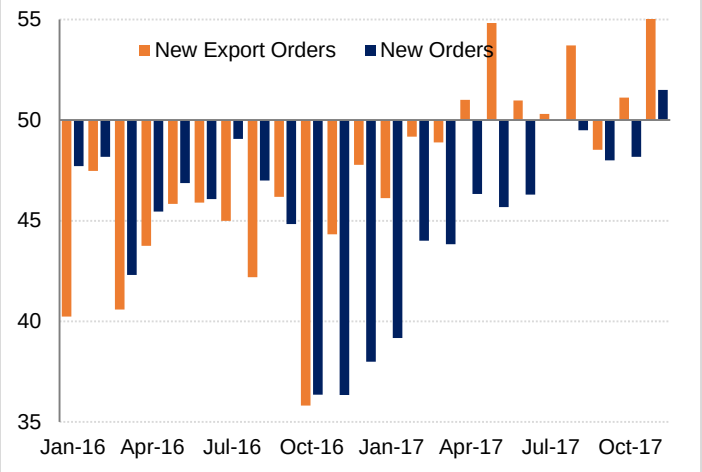
Output



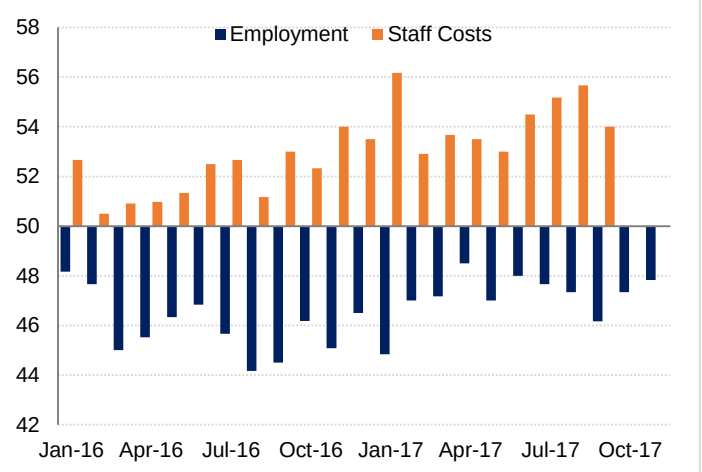
Source: IHS Markit, Emirates NBD Research

New Orders and New Export Orders



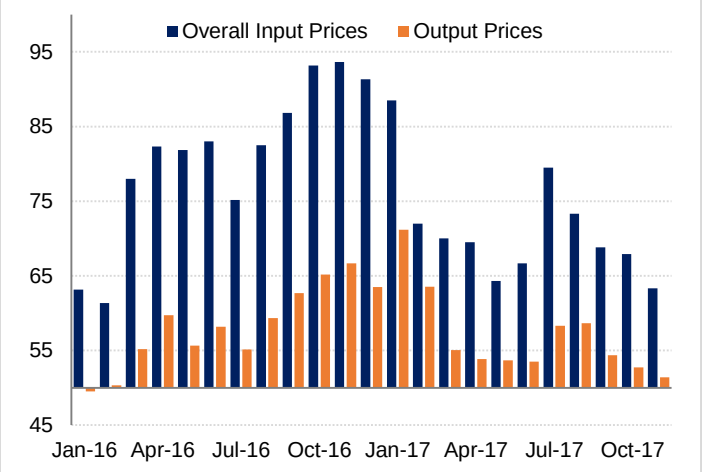
Source: IHS Markit, Emirates NBD Research

Employment and Staff Costs



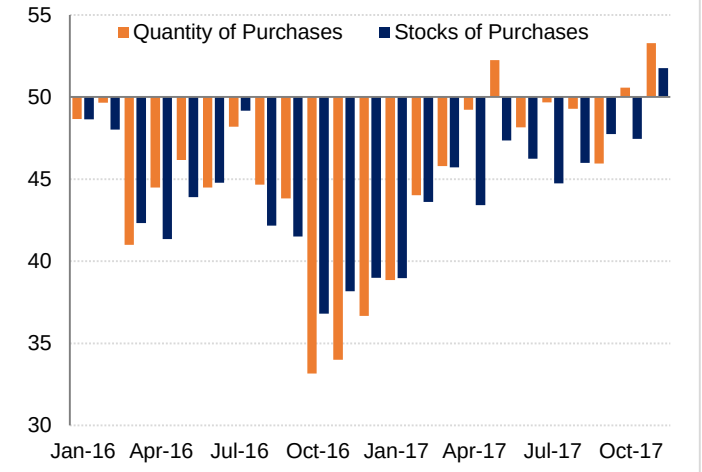
Source: IHS Markit, Emirates NBD Research

Input Costs & Output Prices



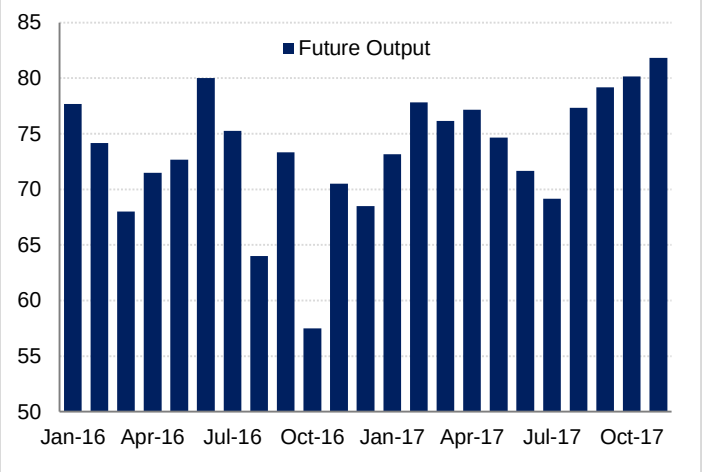
Source: IHS Markit, Emirates NBD Research

Inventories & Purchasing Activity



Source: IHS Markit, Emirates NBD Research

Future Output (Business Optimism)



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