



Egypt PMI Update

The latest Purchasing Managers' Index (PMI) for Egypt suggests that operating conditions across the private sector economy remained difficult throughout the first quarter of 2017. The headline PMI dropped back slightly in March to 45.9 from 46.7 in February, and was in line with the average of 46.0 posted over the 18-month period of contraction that has been entrenched since October 2015. Although the 'New Orders' (43.8), 'Output' (44.0) and 'New Export Orders' (48.9) components declined marginally in March compared to February, the readings were all several points higher compared to January.

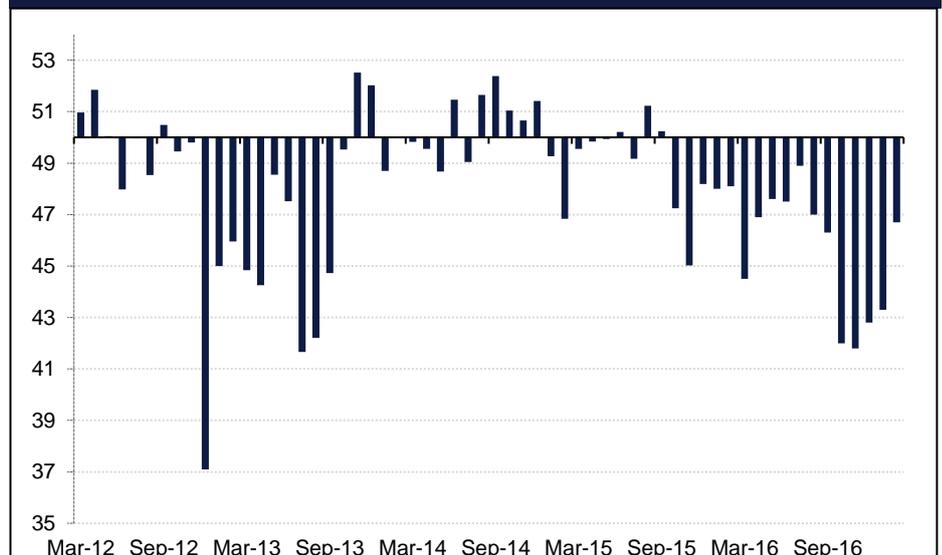
The PMI data highlights how the economic recovery following 2016's package of reforms will be a gradual process. There have, however, been some positive signs, which are not necessarily reflected in this data. In this list we would include the return of foreign investors into the local t-bill market, an increase in FX reserves, stabilization in the exchange rate, and narrowing of the trade deficit.

These are all positive signs that the external asymmetries in the economy are unwinding, however it will take some time before this translates into an actual improvement in growth and job creation. Indeed, the 'Employment' component of the PMI survey was under the neutral 50 level for the 22nd consecutive month in March at 47.2, although respondents to Markit's survey mentioned that lower payroll figures were the result of workers leaving their jobs voluntarily for retirement or to search for better opportunities.

Some evidence might also be emerging that inflationary pressures are beginning to ease. The 'Output Price' index fell its lowest level in over a year in March at 55.0, and was well below the high of 71.2 recorded in January. This should come as welcome news in light of the official inflation figures hitting a multi-year high of 30.2% y/y in February. Largely as a result of a steep fall in purchase prices, the 'Overall Input' Price index has also been declining in recent months, and came in at 70.0 in March, compared to the series high of 93.7 reached in November 2016.

As has been the case since data collection began in 2012, Egyptian private sector firms remain relatively optimistic for the coming year. The 'Future Output' index declined slightly to 76.2 in March from 77.8 the previous month, but this was still well above the series average of 72.2. Reasons given for their optimism included hopes of stabilization in the exchange rate, prices and economic conditions.

Egypt Purchasing Managers' Index



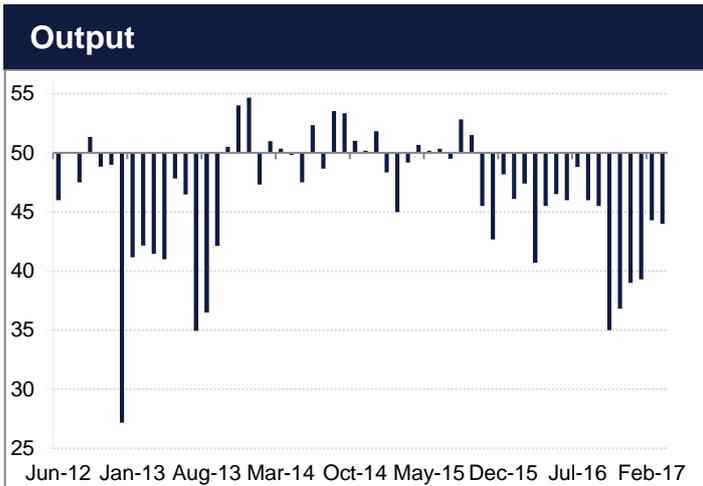


Chart #1
Source: Markit, Emirates NBD Research

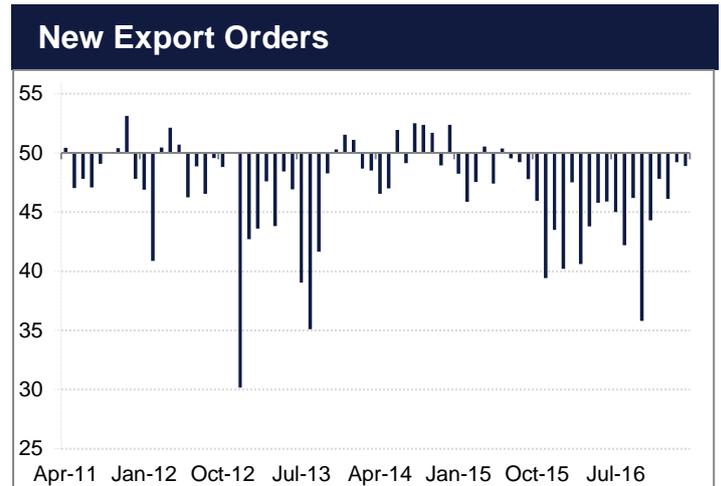


Chart #2
Source: Markit, Emirates NBD Research

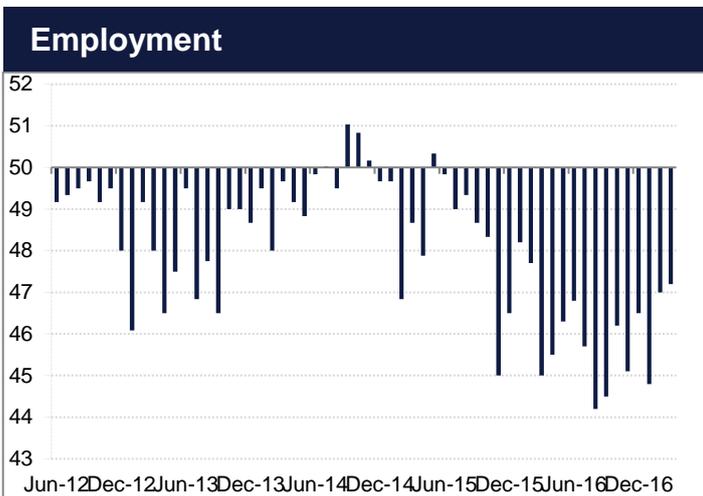


Chart #3
Source: Markit, Emirates NBD Research

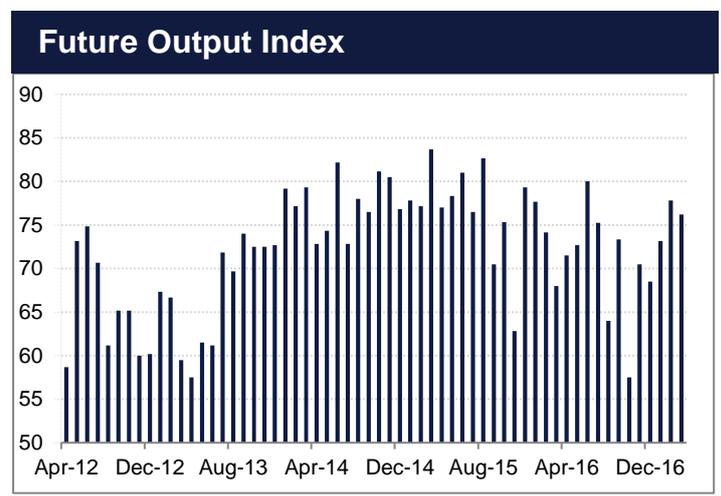


Chart #4
Source: Markit, Emirates NBD Research

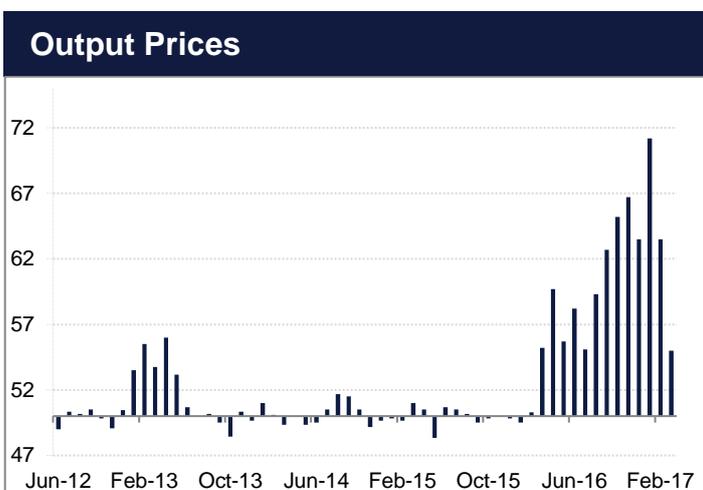


Chart #5
Source: Markit, Emirates NBD Research

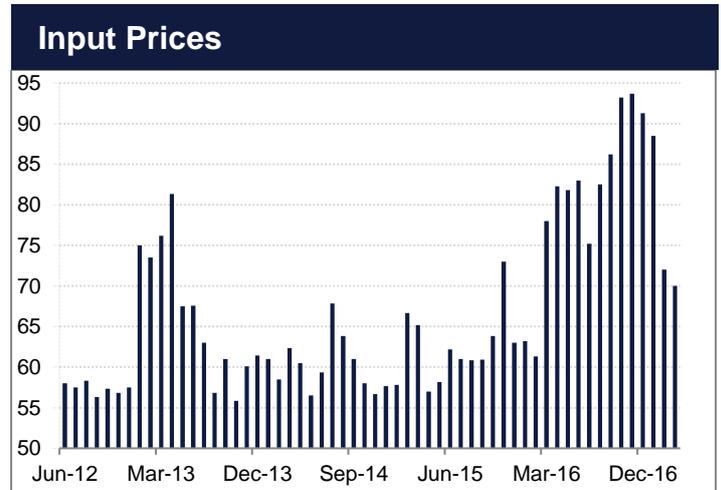


Chart #6
Source: Markit, Emirates NBD Research

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