



بنك الإمارات دبي الوطني  
Emirates NBD

## Economics

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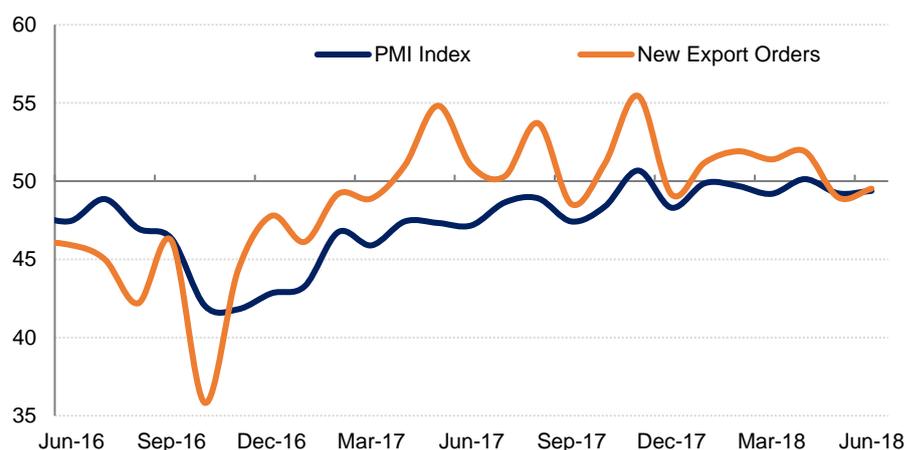
# Egypt PMI: Output falls to 2018 low

The Emirates NBD Purchasing Managers' Index for Egypt remained below the neutral 50.0 level which delineates contraction and expansion in the non-oil private sector in June, coming in at 49.4. This is a marginally slighter contraction than the 49.2 recorded in May, but the failure to consistently post above the 50.0 mark – achieved only twice in the past 33 months – reflects the fact that Egypt's economic recovery has to now been achieved primarily through external rebalancing and government investment, and that the private sector continues to lag. That is not to say that there has been no improvement; **the average PMI reading of 49.6 recorded in both Q1 and Q2 make them the strongest quarters in years, and business optimism remains fairly upbeat.** However, with new orders remaining contractionary in June, and inflationary burdens set to increase in the next several months, firms will remain under pressure.

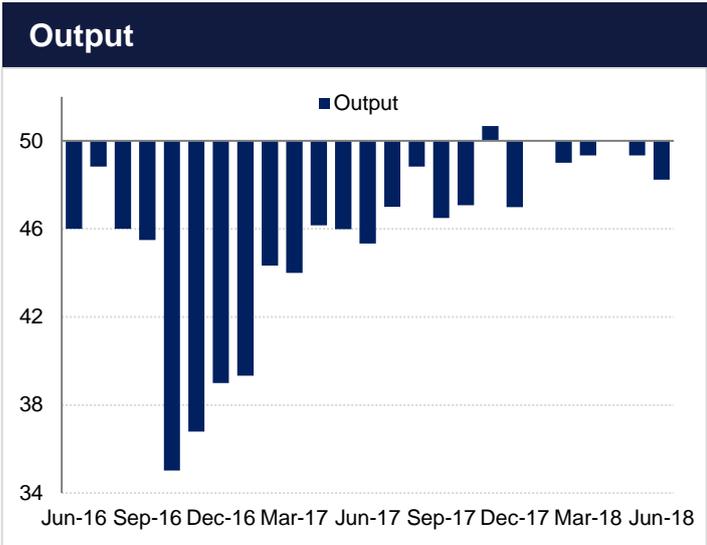
**Output fell to 48.2 in June, its lowest level in 2018, and new orders remained contractionary at 49.8.** New export orders were also negative, at 49.5, although only 4.8% of respondents actually reported a decline, with the vast majority – 91.3% – reporting that new export orders remained static. Nevertheless, with new orders failing to expand, this will exert continued pressure on output in the coming months. Backlogs of work also declined to a three-month low of 48.9 in June as firms responded to weak demand.

**With regards to prices, overall input prices climbed at a faster rate in June than in May, reading 60.2 compared to 59.0 the previous month.** While staff costs climbed at a marginally slower rate – 52.5 compared to 53.0 – purchase prices accelerated to 59.3 from 58.3 the previous month. Higher costs for raw materials and rent were cited, and we would expect that these pressures will rise over the next several months, given higher oil prices compared to the start of the year, and government subsidy removals which will see electricity prices rise by 42% for factories. Output prices rose to a nine-month high in June as some of these costs were passed on to consumers. However, firms absorbed some of these increased input prices themselves, putting continued pressure on their margins. **Job shedding continued as a result, although at 49.7 this was the slowest pace in several years.**

### Emirates NBD Egypt PMI



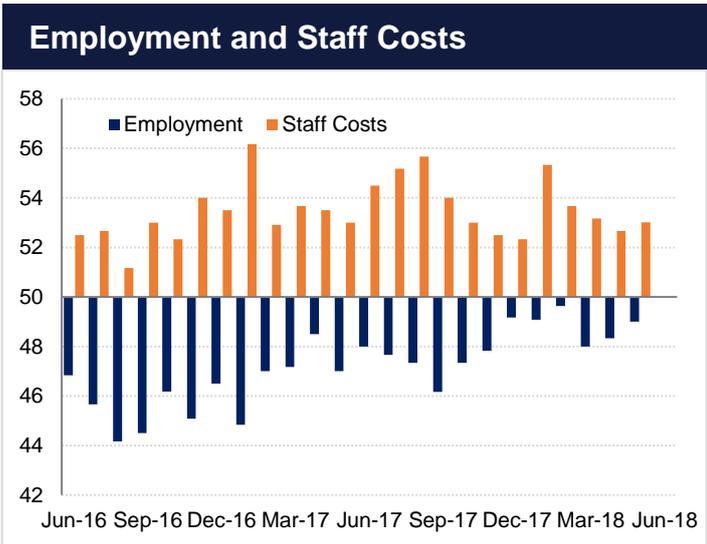
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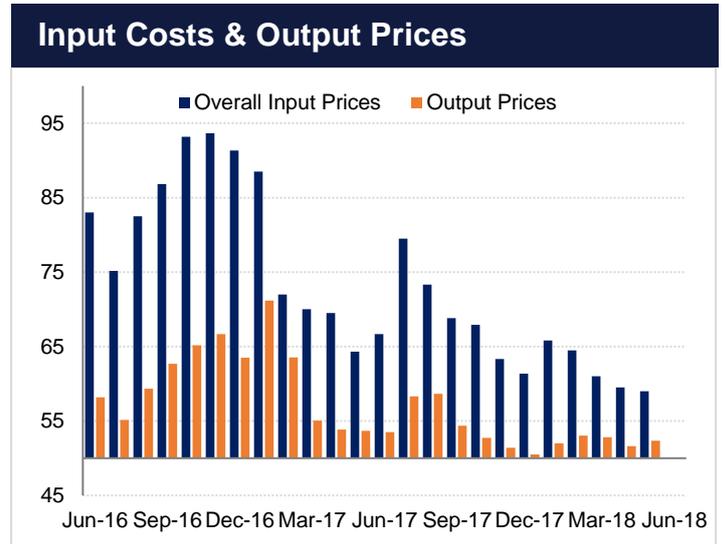
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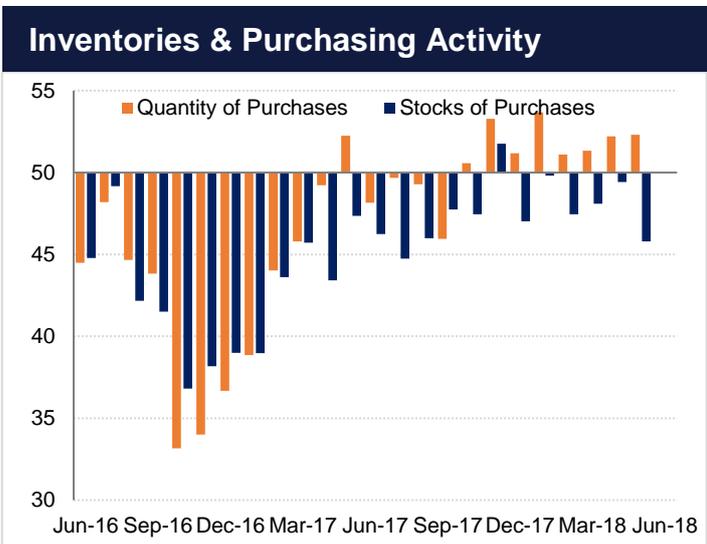
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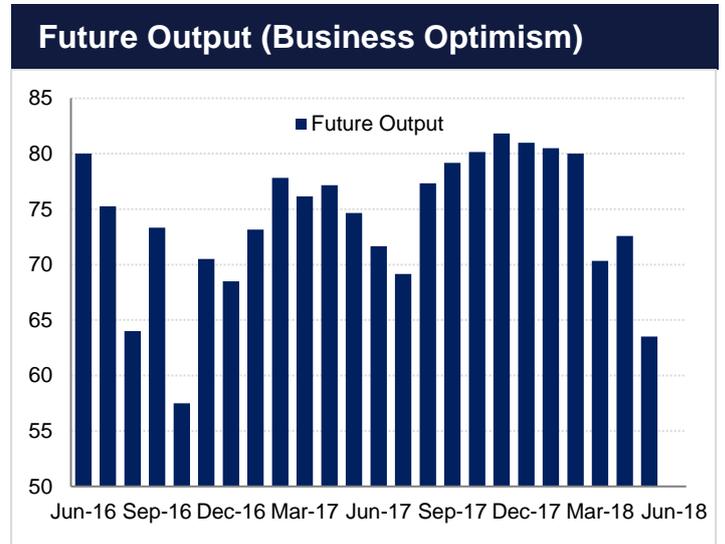
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