



بنك الإمارات دبي الوطني
Emirates NBD

Economics

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Egypt PMI falls further in February

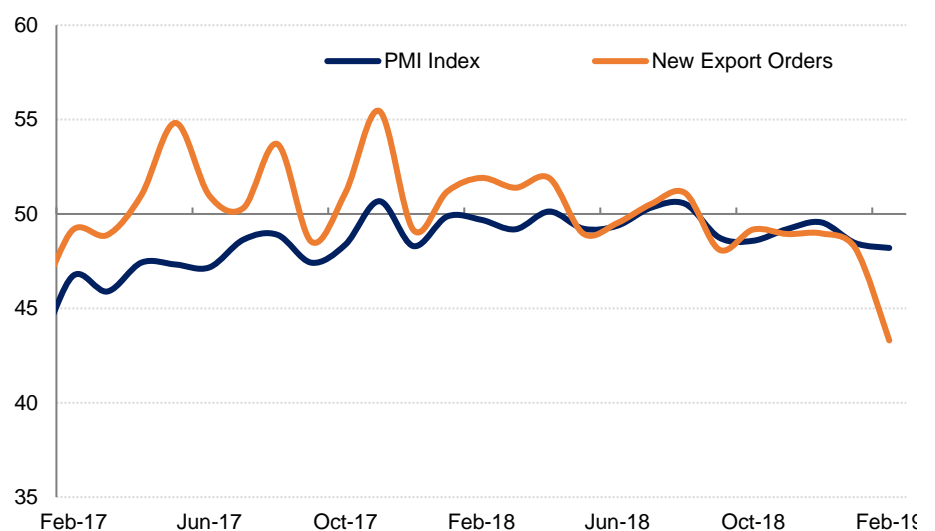
Egypt's non-oil private sector has got off to a weak start in 2019, with the Emirates NBD Purchasing Managers' Index (PMI) falling to a 17-month low of 48.2 in February, from 48.5 the previous month – itself substantially weaker than the 2018 average of 49.5. The index has remained stubbornly in sub-50.0, contractionary territory for six months now, and while we continue to expect an improvement in conditions over the course of 2019, Egyptian firms clearly remain under pressure. Output also fell at the fastest rate since September 2017, with survey respondents attributing this to cash flow issues and poor weather conditions – Egypt has been troubled by sandstorms which have disrupted transport.

Troublingly for future readings, new orders also looked fairly weak, falling at the fastest pace since June 2017. They would likely have been even weaker if not for price discounting undertaken by firms, which slashed output prices for the second month running. This is reinforced by the fact that export orders fell at an even more rapid pace than total new orders, with the weakest reading since October 2016, just prior to the removal of the pound's peg to the dollar the following month. While services exports and remittances inflows have seen substantial growth since the rapid depreciation of the pound in late 2016, goods exports have to date failed to deliver.

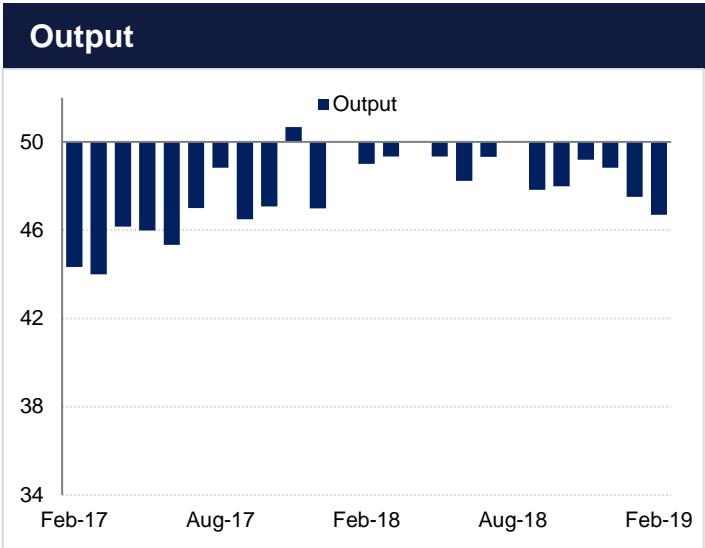
With output prices being cut to maintain output, firms are being squeezed by both sides; although input prices are expanding at a comparatively slow pace compared to series averages, they nevertheless remain solidly over 50.0. Cost-saving is being achieved elsewhere, with **employment reduced for the fifth month in a row**, and staff costs falling for the first time since April 2015.

Although conditions are difficult presently, **over 44% of respondents expect output to be higher in 12 months' time, sharing our expectation that economic conditions will become steadily more favourable over 2019**. The interest rate cut enacted by the central bank on February 14 – the first since March last year – should help stimulate some private sector demand, which has lagged public investment in driving Egypt's growth recovery over the past two years.

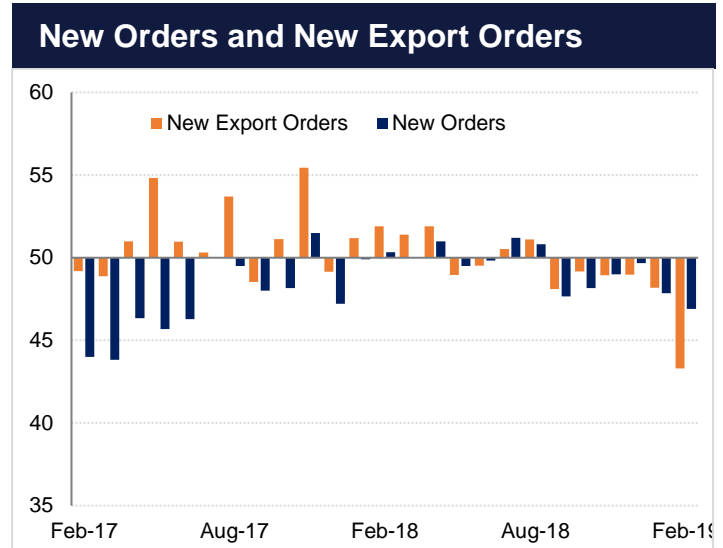
Emirates NBD Egypt PMI



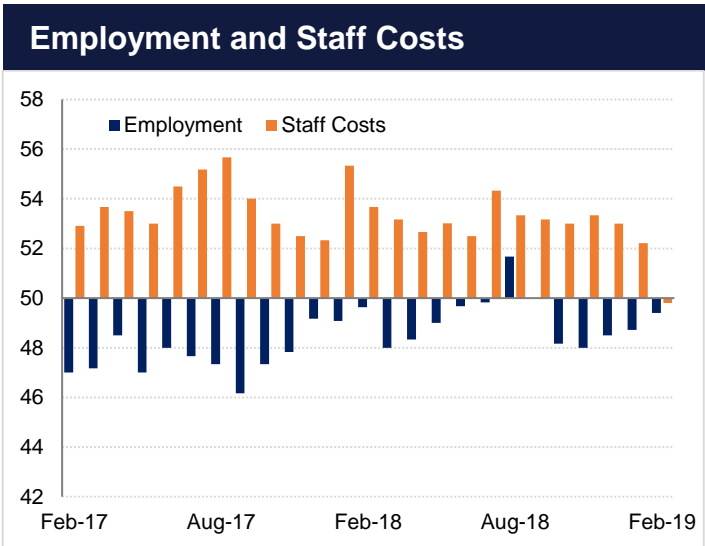
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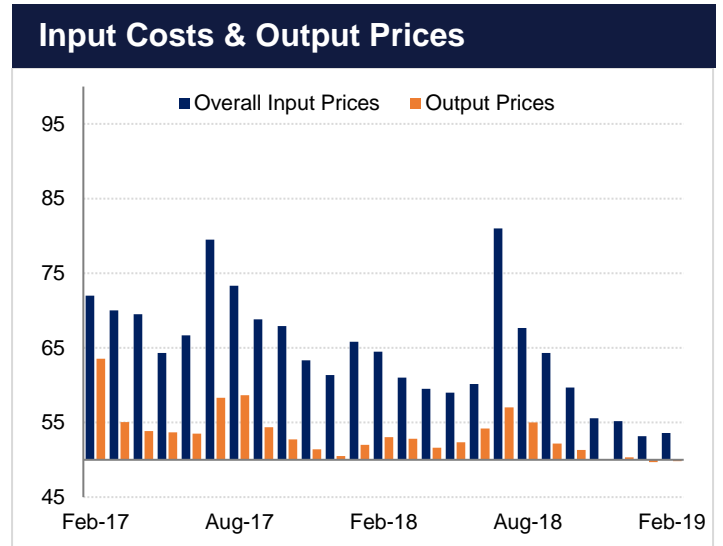
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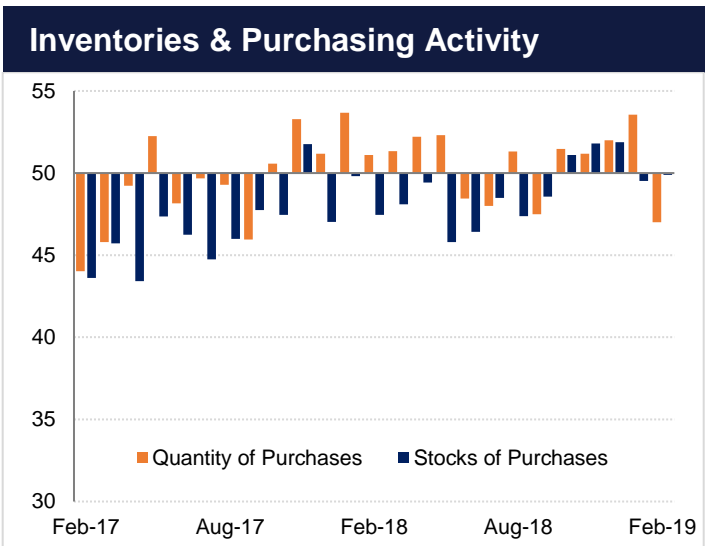
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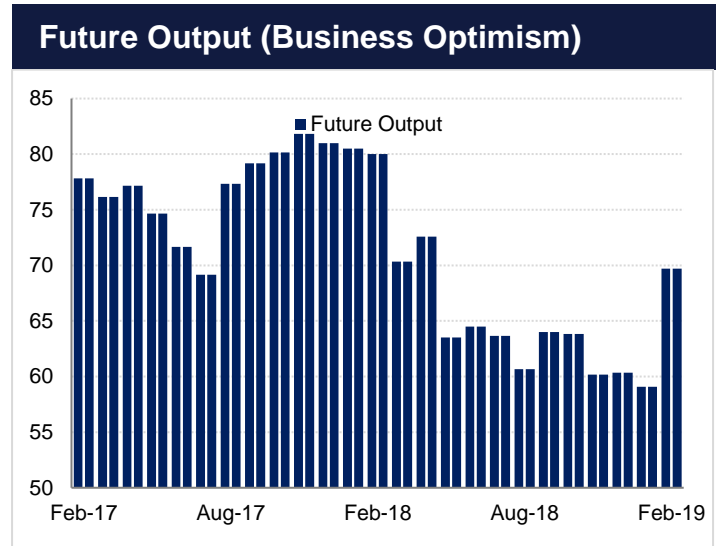
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