



بنك الإمارات دبي الوطني
Emirates NBD

Economics
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Decline in Egyptian private sector activity in May

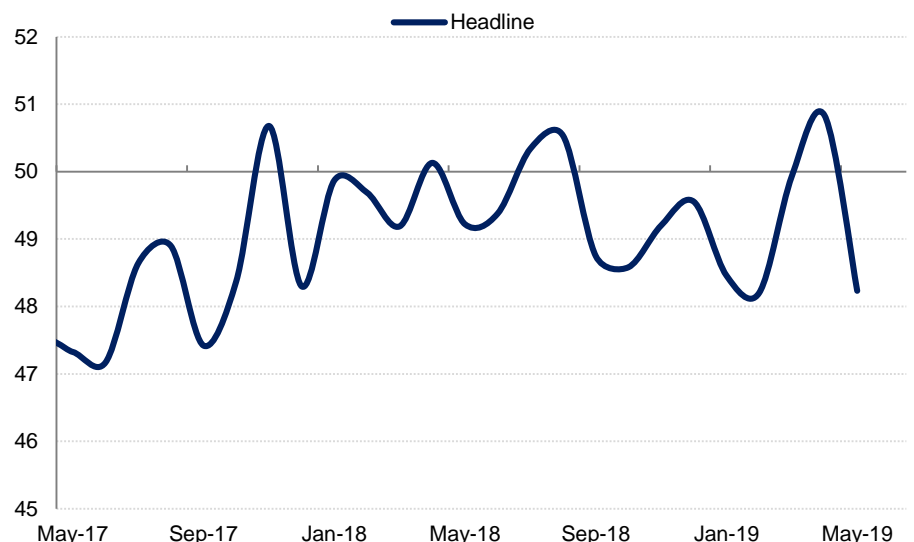
Egypt's non-oil private sector dipped back into contraction in May, as the Emirates NBD Purchasing Managers' Index (PMI) fell from 50.8 in April to 48.2. The April reading was the first time since August last year that the index had returned an expansionary 50.0-plus reading, but as has become familiar over the past two years, it has failed to return consecutive positive results. The private sector has continued to bear the brunt of ongoing reform economic efforts in Egypt, and will likely remain over pressure over the summer period. While easing price growth in recent months – CPI inflation fell to 13.0% y/y in April – has offered some respite, upcoming subsidy reforms and a renewed pause in the CBE's cutting cycle mean that conditions remain difficult for private firms.

The dip back below 50 was driven by both output and new orders, both of which saw moderate declines compared to the previous month, following expansions in April. New export orders contracted at a quicker pace, with respondents citing a deterioration in tourism activity.

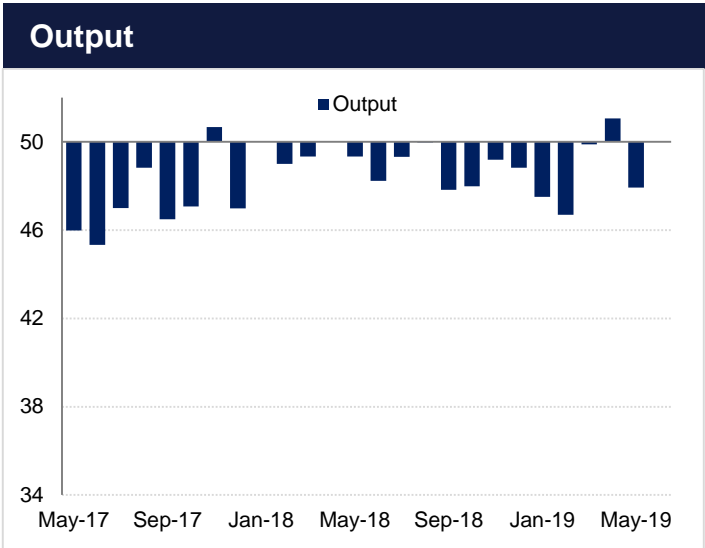
In a bid to shore up demand, firms continued to discount, with output prices declining for the second month in a row. Although the pace of growth in purchase costs has slowed in line with inflation, it will likely accelerate in the coming months as new subsidy reforms push up energy and fuel tariffs. This will continue to squeeze firms' margins, and this is reflected in a drawdown in inventories and a fall in employment, which declined at the fastest rate since October 2017.

Although private Egyptian companies will remain under pressure over the summer months, **we maintain our outlook that conditions will improve**. Stronger GDP growth should bolster demand, and some of the more difficult economic reforms are behind them. Survey respondents share our view, with 38% anticipating an increase in activity over the year.

Emirates NBD Egypt PMI



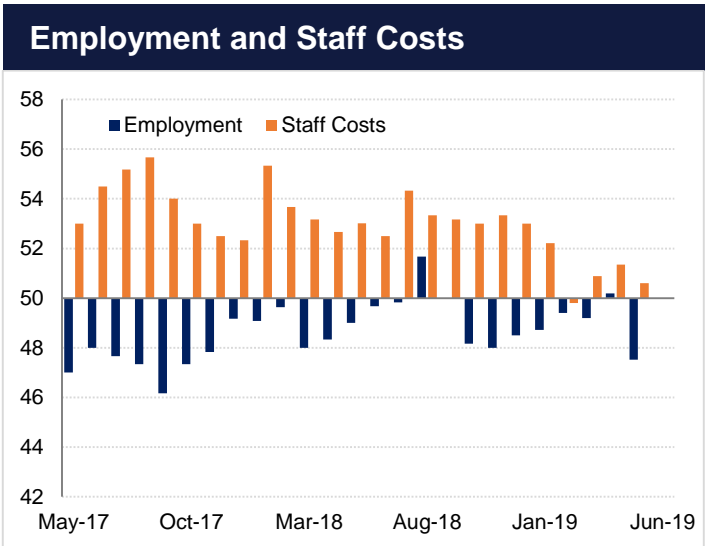
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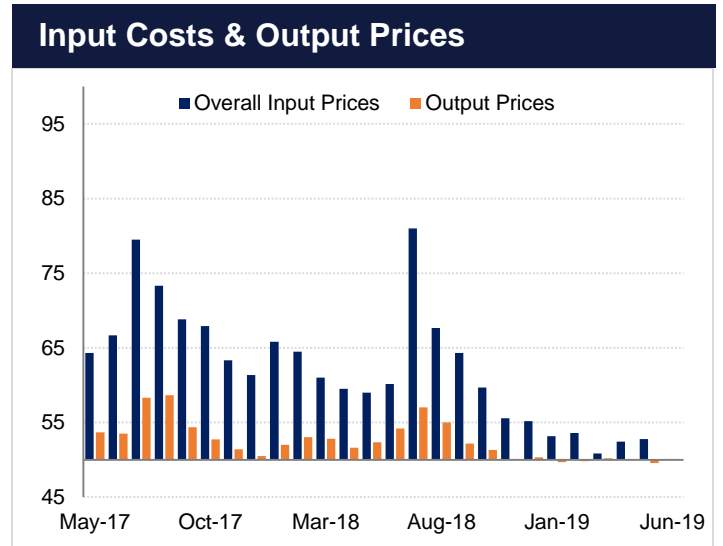
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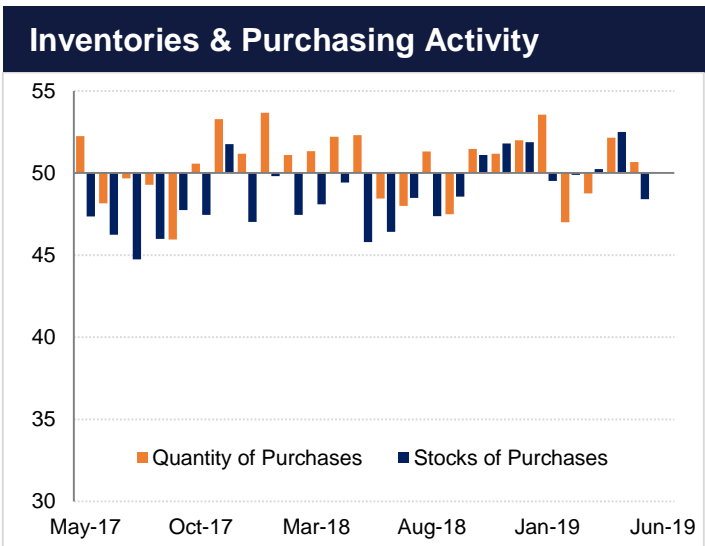
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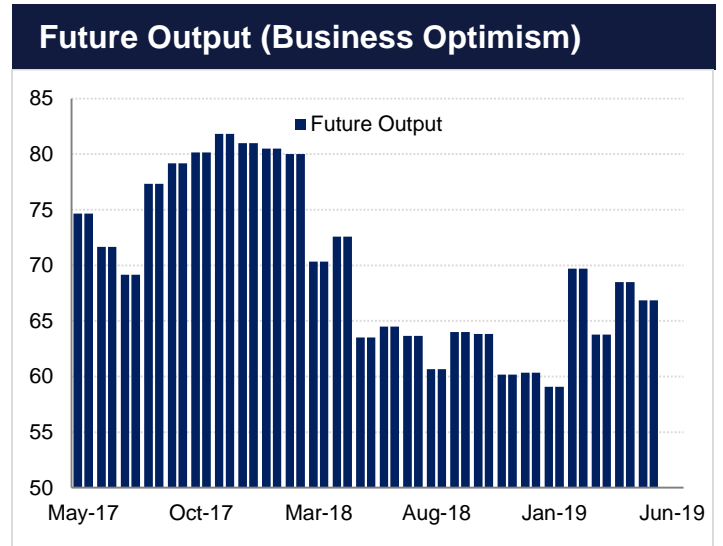
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