

IHS Markit Egypt PMI®

Business confidence at record high in September

Key findings

Firms hopeful that activity will strengthen over coming year

Slight declines in output and new orders

Purchase costs rise at quickest rate since October 2018

Data were collected 13-22 September 2021.

Egyptian firms in the non-oil private sector reported a record level of confidence towards future business activity in September, as optimism grew that the economy will recover from the COVID-19 pandemic over the next 12 months.

At the same time, however, business conditions deteriorated as output and new orders slid due to weaker customer demand. A fall in inventories meanwhile led firms to make additional purchases to avoid raw material shortages and limit the impact of future cost inflation.

The headline seasonally adjusted IHS Markit Egypt Purchasing Managers' Index™ (PMI™) – a composite gauge designed to give a single-figure snapshot of operating conditions in the non-oil private sector economy – fell to a four-month low of 48.9 in September, from 49.8 in August. The index was below the 50.0 neutral mark for the tenth month in a row, signalling a contraction in the non-oil economy.

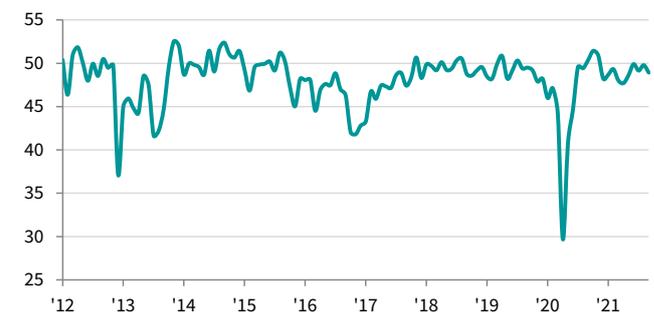
Output was down slightly at the end of the third quarter of 2021, following a fractional upturn during August. Firms also reported a slight decline in new orders received during the month, which was linked to a fall in client demand and weak economic conditions. In particular, sales to foreign customers dropped sharply and for the first time since March.

Nevertheless, local and global developments related to the pandemic meant that firms grew increasingly confident that activity will improve over the next year. In fact, the overall level of optimism climbed to the highest recorded since this particular series began in April 2012, with around 71% of panellists giving a positive forecast. The improvement came amid a boost to

continued...

Egypt PMI

sa, >50 = improvement since previous month



Source: IHS Markit.

Comment

Commenting on the latest survey results, David Owen, Economist at IHS Markit, said:

"While the latest PMI data pointed to non-oil output and new orders declining at the end of the third quarter, these reductions were only slight, while the two indices remained above their long-run averages for the fifth month in a row.

"Moreover, confidence towards future activity soared to a record high in the series nine-year history. The rise coincided with a faster vaccination programme in Egypt and a further relaxation of travel measures that should aid tourism income in the fourth quarter.

"While there was also further supply risk from lower inventory levels and raw material shortages, a record improvement in vendor performance suggests that firms may start to see procurement issues ease."

Egypt's vaccination rate and a easing of travel measures around the world to support tourism activity.

With optimism strengthening, firms' employment numbers rose for the third successive month in September, although the rate of job creation remained mild as some companies struggled to find staff replacements. In addition, firms largely found that current capacity was sufficient to meet new orders, with backlogs rising only slightly from August.

For the second month running, Egyptian non-oil companies were forced to deplete their inventories of purchases in September, as several reported difficulties buying new inputs due to global shortages. Purchasing activity rose in an effort to balance overall stocks, although the pace of increase slowed from August. More positively, delivery times for inputs improved at a new record pace in September, as rising demand for suppliers led them to boost their capacity.

Raw material prices faced by Egyptian firms were on the up again in September, with purchase cost inflation accelerating to the fastest in just under three years. Companies also saw a renewed increase in staff costs, leading to an even sharper uptick in overall price pressures than in August.

A number of firms passed rising input costs through to their clients during September, albeit to a lesser extent than in August. The rate of output charge inflation eased to a moderate pace that was broadly in line with the survey's long-run trend.

New Export Orders Index

sa, >50 = growth since previous month



Source: IHS Markit.

Contact

David Owen
Economist
IHS Markit
T: +44 1491 461 002
david.owen@ihsmarkit.com

Joanna Vickers
Corporate Communications
IHS Markit
T: +44 2072 602 234
joanna.vickers@ihsmarkit.com

Methodology

The IHS Markit Egypt PMI® is compiled by IHS Markit from responses to questionnaires sent to purchasing managers in a panel of around 400 private sector companies. The panel is stratified by detailed sector and company workforce size, based on contributions to GDP. The sectors covered by the survey include manufacturing, construction, wholesale, retail and services.

Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. The indices vary between 0 and 100, with a reading above 50 indicating an overall increase compared to the previous month, and below 50 an overall decrease. The indices are then seasonally adjusted.

The headline figure is the Purchasing Managers' Index™ (PMI). The PMI is a weighted average of the following five indices: New Orders (30%), Output (25%), Employment (20%), Suppliers' Delivery Times (15%) and Stocks of Purchases (10%). For the PMI calculation the Suppliers' Delivery Times Index is inverted so that it moves in a comparable direction to the other indices.

Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

September 2021 data were collected 13-22 September 2021.

For further information on the PMI survey methodology, please contact economics@ihsmarkit.com.

Disclaimer

The intellectual property rights to the data provided herein are owned by or licensed to IHS Markit. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without IHS Markit's prior consent. IHS Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall IHS Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers' Index™ and PMI® are either registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited. IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates.

About IHS Markit

IHS Markit (NYSE: INFO) is a world leader in critical information, analytics and solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 business and government customers, including 80 percent of the Fortune Global 500 and the world's leading financial institutions.

IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates. All other company and product names may be trademarks of their respective owners © 2021 IHS Markit Ltd. All rights reserved.

If you prefer not to receive news releases from IHS Markit, please email joanna.vickers@ihsmarkit.com. To read our privacy policy, click here.

About PMI

Purchasing Managers' Index™ (PMI®) surveys are now available for over 40 countries and also for key regions including the eurozone. They are the most closely watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends.
ihsmarkit.com/products/pmi.html