Input cost inflation softens to near record low

Key findings

Weaker import prices drive overall cost inflation lower

New business falls at solid pace and firms cut output levels further

Selling charges decline at quickest rate in series history

Comment

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

“The IHS Markit Egypt PMI dropped to 47.9 in November, its lowest reading in over two years, as businesses highlighted concerns over the domestic economy and new business declined for the fourth consecutive month. The downturn was extended to foreign orders, with firms noting weakness in key export markets.

"On the positive side, inflationary pressures continued to ease, with the latest mark-up in input costs being the second-softest on record. This allowed companies to raise input buying and also lower selling prices for the first time since May. The drop in charges may see some demand restored in future months.”
pressures. Concurrently, some raw materials increased in price, including iron, cement and petrol.

Employment fell for the first time in four months in November. Due to a lack of new business, several firms either reduced their workforce numbers or saw employees leave for other opportunities. This led to an eighth successive monthly rise in backlogs, although the latest increase was marginal as falling demand eased pressure on capacity.

At the same time, purchasing activity improved for the first since July, albeit only slightly. Stocks also grew, as some businesses anticipated future sales.

Vendor performance continued to strengthen, though the rate at which lead times quickened was marginal and the softest in four months.

Looking ahead, future sentiment decreased slightly in November, falling below the average for the series. That said, it remained positive overall, with a high proportion of firms expecting output to rise in the coming 12 months. Companies predicting a decline commented that they expect the current slowdown in market conditions to linger.

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.

November 2019 data were collected 12-21 November 2019.

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

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. To learn more go to ihsmarkit.com/products/pmi.html.

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