News Release

Embargoed until 0615 EET (0415 UTC) 3 October 2019

IHS Markit Egypt PMI®

PMI ticks up as employment growth strengthens in September

Key findings

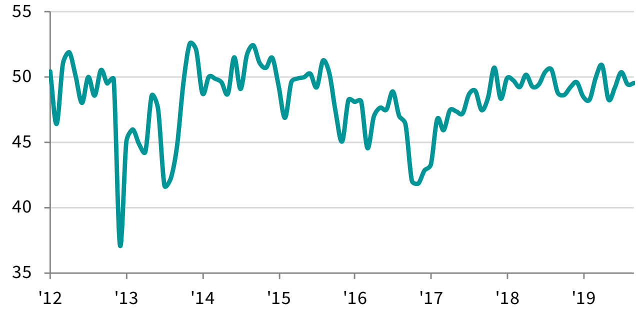
Job numbers rise at fastest rate in 13 months

Output falls, albeit at slower pace

Export sales increase for third month running

Egypt PMI

sa, >50 = improvement since previous month



Source: IHS Markit.

Business conditions in the Egypt non-oil private sector deteriorated at only a marginal rate in September, as firms reduced output at a softened pace. Total sales fell, but export orders continued to increase. Employment growth strengthened to a 13-month high. Input cost inflation eased, while price discounting at some firms led to a weaker mark-up of selling charges.

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 – rose fractionally from 49.4 in August to 49.5 in September, to signal a marginal deterioration in the health of the sector. The reading was nonetheless above the series average.

A contributing factor to the below 50.0 PMI figure was a second successive monthly fall in output at Egyptian firms. Companies continued to pare back activity as new business volumes dropped further. However, the rate of reduction was noticeably weaker than in August. The drop in output led to another rise in input inventories over the month, which allowed firms to keep purchasing activity broadly unchanged.

On the demand side, total new business received by Egyptian non-oil companies declined for the second month running. In contrast to output levels, the rate of decrease gathered pace in September as panellists continued to report poor economic conditions. Demand weakness was mainly domestic though, as there was a slight increase in foreign sales, the third in as many months. The pace of growth was weaker than in July and August, however.

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Comment

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

"The headline Egypt PMI was again at an above-average level in September, registering 49.5, up from 49.4 in August, to signal only a marginal deterioration in business conditions. Output and new orders were again reduced, although output fell at a weaker pace than in the previous month.

"The fall in new orders was mainly domestic, with panellists reporting a third consecutive increase in foreign sales, albeit one that was softer than in August.

"A notable downside was a weakening of sentiment in September, which fell to a near three-year low. Higher prices for fuel and other raw materials dampened some firms' expectations. Falling sales also harmed the overall outlook. That said, panellists still expect activity to improve over the next 12 months."

PMI® By IHS Markit

Despite challenging demand conditions, the labour market remained strong in September, as survey data indicated a further increase in workforce numbers. The rise was slightly quicker than in August, marking the fastest rate of employment growth for 13 months. Firms generally linked this to the need for additional labour. However, backlogs rose for the sixth successive month.

Notably, supplier performance improved for the third month in a row in September. The rate of improvement was the strongest on record, but only modest.

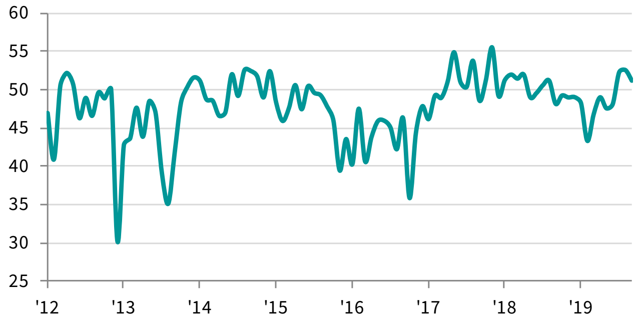
Meanwhile, price pressures at Egyptian companies softened in September. There was a weaker, albeit still sharp, rise in purchasing costs, with respondents noting higher prices for fuel, energy and metals, among other raw materials. However, an improvement in the exchange rate against the US dollar helped to ease inflationary pressure. At the same time, staff costs increased at the quickest rate since last December, as companies looked to improve employee satisfaction.

Output charges followed the trend for input prices, with companies raising their charges at a reduced pace compared to August. In fact, some businesses lowered their fees in the wake of falling demand over the past two months.

Finally, expectations for future business activity were down markedly from the 18-month high in August, with September data indicating the weakest level of positive sentiment since October 2016. An extended fall in new orders, along with higher input prices, eased firms' outlook for the coming year.

New Export Orders Index

sa, >50 = growth since previous month



Source: IHS Markit.

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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 2019 data were collected 12-20 September 2019.

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

About IHS Markit

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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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