News Release

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IHS Markit Egypt PMI®

Business activity rises for second straight month in August

Key findings

Output and new business grow for second month in a row

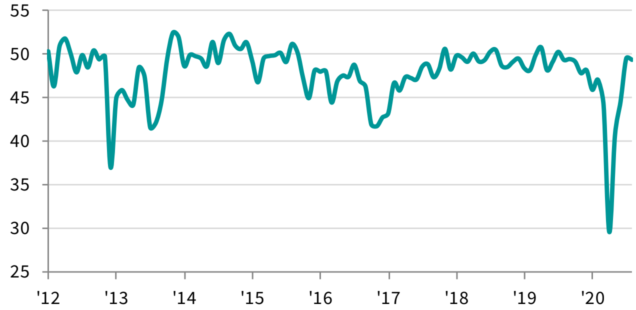
Job losses remain strong, keeping headline index below 50.0

Selling charges rise for first time since October 2019

Data were collected 12-20 August 2020

Egypt PMI

sa, >50 = improvement since previous month



Source: IHS Markit.

August PMI data signalled growth in activity and demand in Egypt's non-oil economy for the second month in a row. However, job reductions were strong and led to an overall deterioration in business conditions. Meanwhile, output prices rose for the first time in ten months amid a further increase in input prices.

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 – posted at 49.4 in August, down fractionally from 49.6 in July. The latest reading signalled a deterioration in operating conditions, one that was faster than in the previous month but still only marginal.

Importantly, the headline index has risen nearly 20 points from its nadir in April at the height of the coronavirus disease 2019 (COVID-19) pandemic, suggesting that the downturn has slowed markedly.

Egyptian non-oil companies saw further increases in both output and new orders during August, building on theinitial recovery seen in July. Higher activity was registered as businesses saw a pick up in new orders and contract requests, although the rate of expansion was mild and softer than in the previous month. Notably, some firms commented that sales remained weak as demand was slow to return to pre-COVID levels, suggesting that momentum toward an economic recovery was subdued.

On a positive note, demand from foreign customers increased in August and at the quickest pace in nearly three years. This was partly due to the reopening of tourist sites which spurred

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Comment

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

"Higher private sector activity in Egypt was registered for the second month running in August, according to the latest PMI survey data. That said, the Output Index signalled just marginal growth that was also slightly weaker than in July. This suggests that many firms are still finding business conditions tough, despite the relaxation of many COVID-19 related restrictions.

"Consumer demand remains weak, with new business picking up at only tentative rates in both July and August. As a result, employment levels were not sustained, with firms reporting a strong cut to workforce numbers.

"Firms were, meanwhile, less certain about the economic outlook in August, with sentiment dipping to a three-month low. Amid this uncertainty, companies chose to lower purchases further, while input costs rose for the third consecutive month and led to a renewed rise in output charges."

PMI® By IHS Markit

increased travel to Egypt, while firms also mentioned a rise in export contracts.

Employment continued to fall across the non-oil private sector economy in August, with the sub-component acting as the main drag on the headline index. Jobs were reduced as companies found that workloads remained relatively low. This marked the tenth successive monthly drop in employment, and one that was solid overall.

As workforces were lowered, delays to raw material imports and liquidity problems at some firms led to a fourth successive rise in outstanding work. Companies also reported a shortening of overall lead times, but one that was only slight.

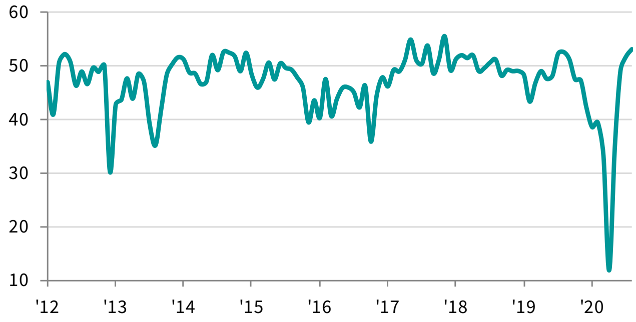
Meanwhile, higher purchase prices for medical equipment and disinfectants were among the drivers of a rise in overall input costs in August. The rate of inflation dipped from July's recent high, but was nonetheless solid. Wage costs increased at the quickest pace for six months, albeit still only mildly.

Firms responded to higher cost pressures with an uptick in average charges that was the first recorded since October 2019. The overall rise was marginal though.

Lastly, sentiment regarding output in the coming 12 months fell considerably from July's 29-month high, and to the lowest since May. Nevertheless, a much higher proportion of firms expect activity to improve than decline, linked to hopes of a weaker impact of the pandemic on economic activity.

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.

August 2020 data were collected 12-20 August 2020.

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

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.

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.
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