

IHS Markit Egypt PMI®

Output and new orders rise for first time in seven months

Key findings

PMI nears expansion territory

New business grows amid rising exports and tourism

Input prices rise at quickest rate since August 2019

Data were collected 11-22 June 2021.

Business conditions largely stabilised in the Egyptian non-oil economy at the end of the first half of the year, helped by a renewed rise in activity, increasing export volumes and improving tourist numbers. PMI survey data signalled an uptick in new business for the first time in seven months, leading to a softer fall in employment and a stabilisation of inventory levels.

Inflationary pressures continued to build, however, as input prices rose at the sharpest pace for nearly two years due to a steep increase in raw material prices. That said, firms often absorbed these costs as they prioritised efforts to support a rebound in sales.

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 – recorded only fractionally below the 50.0 neutral threshold at 49.9 in June. The index was up from 48.6 in May and at its highest level since November 2020.

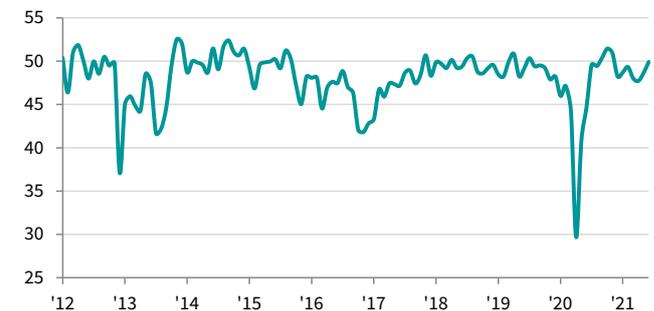
The 1.3-point rise in the index was mostly driven by the Output and New Orders sub-components, both of which rose above 50.0 for the first time in seven months. Whilst marginal, these readings pointed to an increase in activity and new business, which panellists largely attributed to a strengthening in market conditions as COVID-19 measures eased.

Firms often noted a rise in tourist numbers as foreign travel opened up, as well as an improvement in export orders. In fact, the rate of export sales growth quickened to the fastest since February. On the flip side, there were some mentions of weak domestic demand weighing on overall sales.

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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:

"A second successive rise brought the Egypt PMI almost to the 50.0 growth mark in June, posting 49.9 to record its highest reading in seven months. While output and new orders moved into expansion territory, it was the Employment Index that held back the headline figure as job numbers continued to fall overall. However, with demand creeping up and COVID-19 restrictions easing, it might not be long before hiring growth resumes."

"Input price inflation picked up again in June, giving both firms and consumers cause for concern. The latest rise in cost pressures was the sharpest for almost two years, as commodity prices, particularly metals and plastics, drove a steep increase in purchasing costs. For now, firms are largely keeping output charges stable in an effort to boost sales, but we could see a sharp uptick in prices later in the year if demand strengthens and cost burdens become too large."

With total new orders expanding, the recent decline in purchasing activity came to a near standstill in June. This helped firms keep inventories unchanged for the first time in six months and continue to slowly reduce backlogs of work.

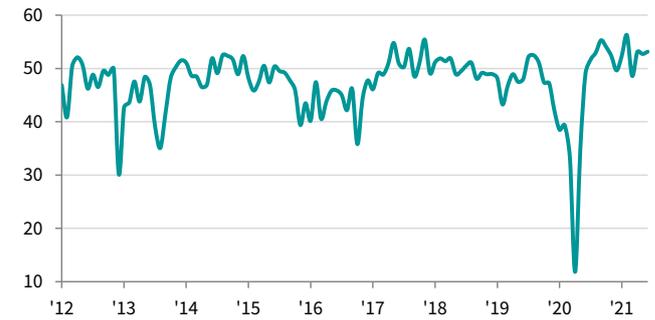
Meanwhile, employment numbers fell further in the latest survey period, as several businesses reported not replacing voluntary leavers. While some firms hired new workers, the latest data indicated that demand growth was not yet strong enough to require a wholesale boost to employment.

Concerns surrounding inflationary pressures were again marked in June, as input prices rose at the quickest pace since August 2019. This was almost solely led by a sharp uptick in raw material prices, with iron, copper and plastics among those reported up in price. Despite this, output charges increased only marginally as many firms opted to absorb part of the burden to support new business growth.

Finally, the outlook for non-oil activity weakened from May's recent high, but was still stronger than the survey average, with nearly half of all panellists predicting an expansion over the next 12 months. This was often linked to hopes of an improvement in market conditions as COVID-19 restrictions are ended.

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.

June 2021 data were collected 11-22 June 2021.

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

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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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