

IHS Markit Egypt PMI®

Downturn in operating conditions softens in January

Key findings

Output and new orders fall at slower rates

Business expectations improve to six-month high

Softest rate of job shedding for 15 months

Data were collected 12-21 January 2021.

The Egyptian non-oil private sector economy recorded a second consecutive monthly decline in business conditions at the start of 2021, reflecting extended falls in output and new business. However, the pace of deterioration softened from December and was modest, despite renewed destocking of inputs. In addition, the fall in employment was the weakest for 15 months, as expectations for future economic activity improved to the highest since July 2020.

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 slightly from 48.2 in December to 48.7 in January, remaining below the 50.0 no-change mark for the second successive month. The reading pointed to a moderate deterioration in the performance of the non-oil economy.

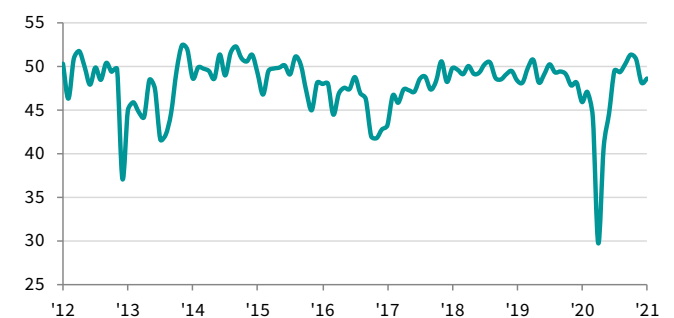
The five sub-components of the PMI indicated falls in output, new orders, employment and stocks of purchases during the latest survey period, as well as a lengthening in suppliers' delivery times. That said, the output, new orders and employment indices rose from the previous month.

According to survey respondents, output was driven lower by falling new work volumes, a reduction in client spending and disruption from the coronavirus disease 2019 (COVID-19) pandemic. That said, the drop in overall sales was eased by a renewed upturn in exports and improvements in some domestic markets. Subsequently, business activity decreased at only a modest pace in January.

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:

"The downturn in the non-oil economy extended to a second consecutive month in January, although the rate of decline softened from December and was modest, particularly compared with the marked contraction suffered during the global COVID-19 lockdown.

"On the jobs side, employment levels continued to fall but at the softest rate for 15 months in January. Rising workforce numbers at some companies allowed an expansion in capacity and a renewed drop in backlogs of work.

"Notably, some input prices came under strain from weak global supply in the new year, leading to a solid rise in purchasing costs. However, efforts to keep market prices low meant average selling prices rose only marginally.

"Business expectations improved in January, reflecting hopes of growth during 2021 as COVID-19 vaccines are rolled out."

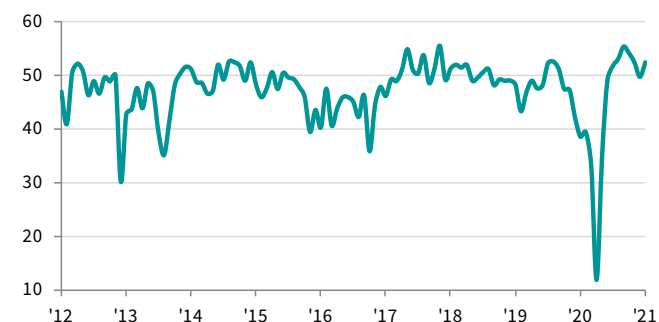
Moreover, employment at Egyptian firms weakened only marginally, with latest data marking the softest reduction in the current 15-month sequence of falling job numbers. Notably, some firms increased hiring to expand capacity, which helped to lower backlogs for the first time since April 2020. Other panellists decided to leave some positions vacant, however.

Elsewhere, the volume of inputs purchased by non-oil businesses fell for the second month in a row in January, and at a marked pace. Barring those seen during the height of the COVID-19 pandemic, the rate of reduction was the sharpest in four years, and led to a renewed drop in stock levels.

Suppliers' delivery times lengthened slightly at the start of the year, as some vendors struggled to provide raw materials in short supply. With goods availability disrupted by the pandemic, prices for a number of inputs rose, including metals, cotton and flour among others. Purchasing costs increased at the quickest rate for three months, offsetting a slight fall in payroll expenses. Despite feeding through into higher charges at some firms, however, the rise in average prices charged was the slowest since August 2020.

Finally, the outlook for future activity improved to a six-month high in January, reflecting hopes of an improvement in business conditions over 2021 as COVID-19 vaccines are rolled out domestically and around the world. Nearly 40% of businesses expect output to expand in the year ahead, compared to just 1% forecasting a decline.

New Export Orders Index
sa, >50 = growth since previous month



Source: IHS Markit.

Contact

David Owen
Economist
IHS Markit
T: +44 2070 646 237
david.owen@ihsmarkit.com

Katherine Smith
Public Relations
IHS Markit
T: +1 781 301 9311
katherine.smith@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.

January 2021 data were collected 12-21 January 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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