

IHS Markit Egypt PMI®

PMI up to highest since December 2014

Key findings

Egyptian non-oil activity expands solidly in October

Strongest new order growth for over six years

Job numbers fall again as confidence weakens

Data were collected 12-22 October 2020.

The Egyptian non-oil private sector economy grew at the strongest rate since the end of 2014 during October, according to the latest PMI survey data. Growth in both output and new orders strengthened, leading to a renewed rise in input purchases. Nevertheless, job numbers fell for the twelfth month in a row as sentiment dipped to the weakest since May.

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 to 51.4 in October, from 50.4 in September, to signal a second consecutive monthly improvement. The upturn was modest overall, but nonetheless the strongest since December 2014.

Three sub-indices of the headline index supported the PMI uptick, namely output, new orders and stocks of purchases, while the rise was partly offset by the employment and delivery times indices.

Egyptian non-oil businesses saw a solid increase in activity at the start of the fourth quarter, amid reports of improved market conditions that led to a strong rise in client demand. Firms also noted that they were able to expand capacity due to coronavirus disease 2019 (COVID-19) restrictions remaining looser than seen earlier in the year. Furthermore, the rate of activity growth was the fastest since August 2014.

New orders also grew at a quicker rate in October, and to the greatest extent in just over six years. Firms often attributed sales growth to greater market activity within Egypt and a strong increase in new export business. That said, the rise in foreign

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:

"A PMI reading of 51.4 in October signalled that the Egyptian non-oil private sector expanded at the quickest rate in nearly six years. The relatively strong upturn will encourage businesses, but also highlights the extent of the gap between current and pre-COVID activity levels that firms still need to abridge. Growth could accelerate further if restrictions remain loose, although there are still enduring risks that may slow the recovery.

"In particular, weakness continues to lie on the employment side, as jobs decreased more quickly despite higher output and difficulties with completing incoming work. Firms noted that they are still struggling to raise the necessary funds to hire new staff, while also indicating weaker optimism as COVID-19 cases rise in nearby Europe."

demand was slower than in September.

Backlogs at private sector companies rose for the sixth month running, highlighting further pressure on business capacity. Firms noted that they required more inputs to reduce these constraints, which led to the first increase in purchasing activity since last December that also supported a slight rise in inventories. Delivery times meanwhile shortened for the fourth month running.

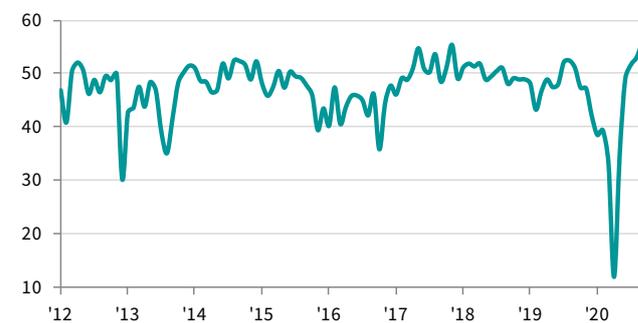
While the rise in purchases pointed to efforts to expand capacity, the latest data also showed a twelfth successive fall in employment. Respondents highlighted that weak revenues and increases in spending elsewhere often led to the non-replacement of workers that had left or retired, while other firms laid off staff. That said, while the pace of decline quickened, it was the second-weakest since last November.

The drop in workforces came amid a worsening of business confidence in October, as sentiment regarding the next 12 months of activity fell to the weakest since May. In particular, firms raised concerns of a second wave of COVID-19 cases in Europe that could translate into higher cases in Egypt and hamper the economic recovery.

Meanwhile, input prices rose at the fastest pace for 13 months in October, amid a quicker increase in purchasing costs and a strong uptick in salaries. As a result, selling charges were marked up to the greatest degree since August 2019, albeit only at a modest rate.

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.

October 2020 data were collected 12-22 October 2020.

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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