

## IHS Markit Egypt PMI®

### Private sector activity collapses in April

#### Key findings

Temporary business closures force massive scale-back in activity

New work and exports decline at quickest rates on record

Job losses accelerate to fastest since 2017

The Egypt PMI fell dramatically in April, with activity, new business and exports declining at record rates amid measures to ease the coronavirus disease 2019 (COVID-19) crisis. Business output was severely limited, leading firms to enact large cost-cutting strategies including weaker input spending and job reductions. As a result, input costs rose at the softest pace ever seen in the survey.

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 – fell considerably from 44.2 in March to 29.7 in April, marking the lowest figure recorded since the series began in April 2011. The reading signalled a severe decline in business conditions, following a much softer contraction at the end of the first quarter.

Business activity, as measured by the survey, decreased at an unprecedented rate during April as firms were hemmed in by measures to stop the spread of COVID-19 and subsequent tail-off in consumer demand. Measures included the forced closure of hospitality venues, with other firms constrained by restricted operating hours and curfews.

These measures led to a sharp drop in client demand across Egypt, bringing new orders down at the fastest rate ever seen in the series. In addition, the closure of airports meant tourism was largely restricted, while global efforts to contain the virus contributed to a marked fall in foreign sales.

Responding to the decline, purchasing activity decreased markedly at the start of the second quarter. Stock levels were

*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 Egypt PMI sunk to an historic low of 29.7 in April, as the country faced the first full month of measures restricting activity and movement in the wake of the COVID-19 pandemic.*

*"Businesses lucky enough to remain open scaled back activity on a massive scale, as many highlighted sharp falls in domestic sales and foreign demand. Firms forced to close unsurprisingly recorded an even steeper decline in output.*

*"Employment levels dropped again in April, although the rate of decline was much softer than for activity. An extended period of weaker output may lead to larger job reductions in the future.*

*"Business expectations remain strong though, in fact improving since March, which may suggest firms will look to retain workforces for when the economy reopens. The outlook may darken though should the crisis worsen and measures are extended."*

also drastically reduced, with many panellists highlighting efforts to curb inventories as future demand levels remained uncertain.

Job shedding was also evident in April, extending the run of falling employment that began last November. The rate of decline was the fastest in over three years, with companies widely linking the reduction to the health measures. Some firms chose to retain workers but lower wages, which drove a slight fall in overall staff costs.

Supplier delivery times lengthened for the second month in a row in April, as businesses often found that inputs were held up at port customs. The rate at which lead times lengthened was the sharpest seen since October 2017.

Several firms mentioned shortages of raw materials in April as a result of the virus pandemic. This led to rises in some raw material prices, although the overall increase in costs was the weakest on record, in part due to lower fuel prices. Output charges meanwhile dropped for the sixth month in a row as firms reported efforts to improve new business volumes.

Looking ahead, the outlook for future activity improved slightly in April, despite large negative shocks to output and demand from COVID-19. Businesses were generally confident that the economy would open up soon, predicting activity to rise in the coming year. On the other hand, some firms were concerned of a prolonged recession arising from the crisis.

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.

April 2020 data were collected 7-22 April 2020.

For further information on the PMI survey methodology, please contact [economics@ihsmarkit.com](mailto: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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