

IHS Markit Egypt PMI®

PMI strengthens for first time since September

Key findings

Softer declines in output and new orders

Input price inflation remains near historic low

Employment falls for second month running

Business conditions continued to worsen across the Egyptian non-oil private sector in December, according to the latest PMI survey data, albeit to a lesser extent than in November. Output, new orders and employment all fell, while inflationary pressures remained soft. Meanwhile, expectations improved to the strongest since October.

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 for the first time in three months in December, posting 48.2, up from 47.9 in November. This signalled a slightly softer, and only moderate, deterioration in business conditions across the Egyptian non-oil private sector. The current run of contraction was extended to five months.

Companies reported further declines in both output and new orders, with panellists noting that market conditions remained subdued in general at the end of the year. Output levels fell solidly, with some firms mentioning that liquidity issues restricted business activity. That said, the rate of decrease was softer than in November.

Similarly, total new orders deteriorated at a slower pace in the latest survey period, one that was moderate overall. Anecdotal evidence pointed to a lack of new contracts, while demand from foreign clients fell at the steepest rate in over three years amid a difficult trade climate.

Weakening business volumes had a further negative impact on employment in December, with businesses cutting job numbers for the second consecutive month and at a faster pace

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 IHS Markit Egypt PMI showed some signs of a turnaround in December, with the headline reading increasing for the first time in three months. Despite contracting further, both output and new orders fell at softer rates than in November. This indicates that the downturn in the non-oil sector is beginning to ease. That said, headwinds remain on the external front, with new export orders falling at the steepest rate in over three years.

"The clear positive from the survey is that the strong exchange rate with the US dollar is helping to restrain input costs inflation. Companies have responded with solid reductions in output charges during the past two months, which may help to boost sales in the near future. Upcoming PMI releases will show whether the non-oil sector can be swiftly reinvigorated."

than in November. Several firms noted that falling sales led them to reduce labour, with others linking the decline to not replacing voluntary leavers. Despite this, backlogs of work were unchanged.

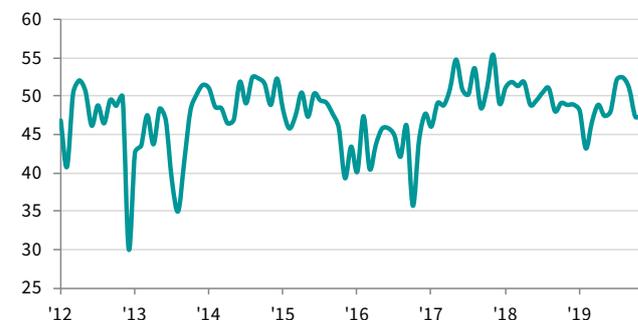
On the positive side, cost inflationary pressures remained cool, as a strong exchange rate against the US dollar helped firms to import goods at cheaper rates. Some panellists saw input prices rise, due to higher electricity bills and customs duties. However, the overall increase in costs was slight.

As such, firms were encouraged to lower selling prices for the second successive month, with the rate of decline solid despite easing from November. Respondents noted that they hoped to gain higher sales volumes through discounting.

Purchasing activity rose marginally in December, despite falling output requirements. However, businesses reporting liquidity issues found that this led to slower deliveries and a slight reduction in overall input stocks.

Lastly, the outlook for output in 12 months' time improved modestly at the end of the year, with the degree of optimism stronger than the average for 2019. Generally, firms remained expectant that business activity will rebound, with some relating this to new branch openings and the Egyptian pound remaining strong against the US dollar.

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.

December 2019 data were collected 5-13 December 2019.

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. To learn more go to ihsmarkit.com/products/pmi.html.