

IHS Markit Egypt PMI®

Business conditions remain in decline, but outlook improves

Key findings

Output falls again in May, but contraction eases to three-month low

Expectations improve to highest since February 2018

Cost inflation remains sharp

Data were collected 10-20 May 2021.

The Egypt PMI signalled a further deterioration in business conditions across the non-oil economy in May, thus extending the downturn seen since the end of 2020. Sales moved slightly closer to stabilisation though, while the overall drop in business output was the softest recorded since February. In addition, firms were much more confident about future output in May, as expectations rose to their strongest for more than three years.

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 from 47.7 in April to 48.6 in May. The index signalled a sixth consecutive monthly decline in the health of the non-oil sector, led by further decreases in output and new business.

On a positive note, the rate at which non-oil activity decreased in May was the softest recorded for three months, as reports of weak demand were partially offset by improvements in market conditions in some areas of the economy.

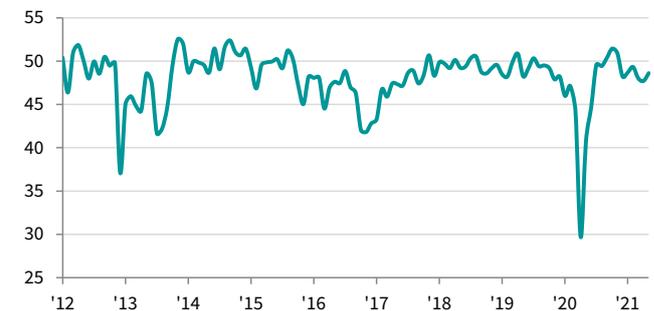
At the same time, new order inflows decreased for the sixth month in a row but to the least extent since February. According to panel members, customer demand was weakened by the COVID-19 pandemic. That said, there was some positivity from export orders which rose solidly.

Despite output remaining weak, there was notable optimism among Egyptian companies for the year ahead, as the outlook for business activity improved to the strongest since February 2018. A recovery in market conditions from the pandemic was commonly seen as a key driver of growth over coming months.

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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:

"The Egypt PMI remained in contraction territory during May but did improve slightly from April, signalling a slight step towards stability in the non-oil economy. The Output and New Orders Indices were both up to three-month highs, while the Stocks of Purchases Index suggested that firms were close to expanding their inventories after reductions in the first four months of 2021. Business expectations data offered a glimpse of a positive future, as firms were at their most optimistic since early 2018 and expectant of a strong recovery in business conditions to follow soon."

The purchasing of new inputs in the non-oil sector fell as a result of weak demand during May, although the latest decline was the softest seen for six months. Meanwhile, there was evidence that some firms had started to rebuild their stocks, as overall inventories pushed closer to stabilisation after a four-month period of contraction.

Job numbers were still on the negative side in May, as non-oil businesses commented on weaker demand for staff and a slight decrease in outstanding workloads. The rate of job shedding eased from the start of the second quarter, however.

For the sixth month in a row, Egyptian companies saw a worsening of supplier lead times during May, although these issues were reported by only a small proportion of survey respondents. Meanwhile, input shortages and higher freight costs added to purchase prices, which rose at the second-quickest pace since September 2019, following April's recent peak. With staff costs also rising, overall input prices were up steeply in May.

Several firms passed these costs onto their customers during the month, although others opted to absorb input prices in order to keep their charges low. As a result, output prices rose only modestly.

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.

May 2021 data were collected 10-20 May 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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