

IHS Markit Egypt PMI®

Decline in business conditions softens further in February

Key findings

Output and new orders fall at softest rates for three months

Exports grow at quickest pace on record

Slowest drop in employment for 16 months

Data were collected 11-18 February 2021.

Egyptian non-oil private sector economic conditions weakened for a third month running in February, according to the latest survey data, amid declines in output and new business. However, the pace of contraction softened from January and was marginal, helped by a record expansion in exports. Meanwhile, rising raw material and freight prices drove a solid increase in input costs, but output charges rose only slightly.

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 – posted 49.3 in February, up from 48.7 in January, to signal only a slight deterioration in operating conditions. The rate of decline was the softest for three months, and the index was also above its long-run average of 48.2.

Private sector output decreased for a third straight month in February, which companies related to a drop in sales amid the continued impact of the coronavirus disease 2019 (COVID-19) pandemic. On the upside, the pace of contraction slowed since the start of the year, and was only modest.

Likewise, the drop in new sales was less marked compared to that seen in January, in part due to a strong upturn in export demand. In fact, the rate of new foreign business growth was the sharpest in nearly ten years of survey data collection. Firms also reported an increase in new contracts as well as a slight improvement in tourism activity. Nevertheless, overall demand was hampered by weak customer spending as markets remained depressed due to the pandemic.

Reductions in output and new orders led Egyptian companies

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:

"Business conditions in Egypt's non-oil private sector continued to decline in February, extending the latest dip in the economy seen since the end of last year and largely cancelling out the small rebound between September and November 2020. On the upside, demand trends have moved closer to stabilisation, particularly as export sales picked up at a record pace during the month. Further growth in exports should help to improve overall sales in the future.

"Meanwhile, employment fell at a slower rate in February, as some firms expanded their staffing levels to account for an increase in workloads. Alongside business sentiment data, this gives promising signs for an expansion in output as the impact of the COVID-19 pandemic subsides, though panellist comments suggested that some businesses may fail before the economy makes a full recovery."

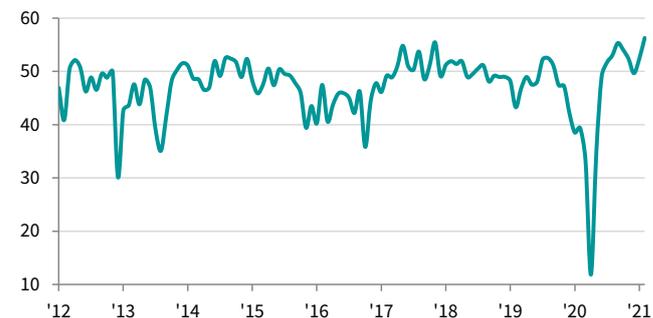
to lower their purchasing activity in February, extending the decline seen since the end of 2020. Inventories of purchased items were also driven down, albeit only marginally.

Job numbers continued to fall midway through the first quarter, as some firms mentioned that they did not replace voluntary leavers in an effort to lower staff costs. That said, the rate of job shedding was the softest for 16 months, as some companies increased hiring due to rising workloads. At the same time, backlogs of work were reduced slightly for the second month in a row.

Input cost inflation remained solid in February, despite ticking down to the weakest since last September. Anecdotal evidence indicated that higher prices were generally led by metals, most notably iron and steel. Panellists also reported an increase in freight charges, as rising global demand and weak container supply weighed on shipping rates. Higher costs were partially passed on to clients, although output charges rose at the softest rate in seven months and only fractionally overall.

Finally, the outlook for the forthcoming year worsened in February, although companies still expect output to pick up from current levels. Around 29% of businesses forecast growth, against just 1% predicting a decline. In the latter group, however, some firms highlighted the risk of permanent closure due to the steep economic downturn caused by the pandemic.

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.

February 2021 data were collected 11-18 February 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. ihsmarkit.com/products/pmi.html