

IHS Markit Egypt PMI®

Business activity rises for first time in a year

Key findings

Output and new orders both expand for first time in 12 months...

...but rates of growth remain subdued as economy reopens

Employment and selling charges continue to fall

Data were collected 13-23 July 2020

The latest Egypt PMI data signalled a return to activity growth in July, as non-oil private sector output rose for the first time in a year, albeit mildly. New business also expanded as export conditions improved, leading to slower declines in employment and inventories.

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 49.6 in July, up from 44.6 in June and the closest to the 50.0 neutral mark in 12 months. The reading indicated a slight deterioration in business conditions, despite renewed rises in both activity and new orders.

Egyptian firms reported the first increase in output across the non-oil private sector in a year during July, as key parts of the economy such as tourism and hospitality started to reopen. Several companies raised activity as tourist numbers increased and export demand also ticked up. That said, the overall expansion in output was marginal, as nearly as many companies continued to lower activity due to ongoing structural weakness from COVID-19.

Similarly, the sub-index for New Orders signalled a first monthly increase in new business for 12 months in July. Both total new orders and new export orders recorded modest expansions, supported by improved market activity and increased trade with European and African countries.

Nevertheless, overall business conditions continued to deteriorate in July, albeit at a weaker pace than in June. The headline index was dragged down by the other three sub-

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:

"While the headline index posted at 49.6, it was the Output and New Orders sub-indices that gave confidence of the start of an economic recovery in July. Both indicated monthly expansions for the first time in 12 months, after the series signalled the worst economic downturn in its nine-year history during the COVID-19 crisis.

"Egypt still has some way to go to return to pre-COVID levels of activity and demand though, with the recent upturns only mild overall. Moreover, job losses remained solid in July, signalling that firms are still trying hard to survive the post-lockdown market environment. This has not been helped by rising cost inflation, nor continued price discounting. The landscape for Egyptian businesses remains both competitive and daunting, but can be improved in the coming months should tourism and other sectors be given a boost."

components: employment, stocks of purchases and suppliers' delivery times.

Despite the uplift in activity, employment at Egyptian firms fell solidly during July to continue the recent negative trend. Panellists noted that this was mostly driven by companies not replacing voluntary leavers. At the same time, backlogs of work rose for the third month running, as some clients continued to delay payments due to a lack of liquidity.

Stocks of purchases fell at the start of the third quarter to mark the eighth successive month of depletion at Egyptian firms. The drop was mainly due to weaker purchasing activity, although some firms cited the withdrawal of stocks in order to remove excess inventories. However, with new orders starting to rise, the rate of inventory reduction was the softest since December 2019.

Meanwhile, the relaxation of COVID-19 restrictions and relatively low input demand led to an improvement in supplier performance in July, the first seen since last November. That said, the uplift was marginal overall.

On the price front, rising purchasing costs contributed to a faster increase in overall input prices in July, as the rate of inflation ticked up to its highest for nine months. Meanwhile,, output charges fell again as some firms offered further discounts in order to speed up a recovery in sales.

Lastly, the outlook for future activity improved considerably in July, as firms were hopeful that the reopening of tourism could spur an economic recovery over the summer. The degree of sentiment was the strongest for nearly two-and-a-half years.

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.

July 2020 data were collected 13-23 July 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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