

IHS Markit Egypt PMI®

Business conditions decline further as price pressures rise

Key findings

Non-oil private sector output falls for fifth month running in April

New orders and employment decline solidly

Input price inflation quickens to 19-month high as supply pressures grow

Data were collected 12-22 April 2021.

Operating conditions in the Egyptian non-oil economy deteriorated again in April, according to the latest PMI survey data, as firms reported solid falls in output, new orders and employment. Meanwhile, increases in global raw material prices led to a spike in purchasing costs, with the rate of inflation accelerating to the quickest since September 2019 and driving a faster rise in output prices.

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 from 48.0 in March to 47.7 in April, marking the lowest reading since June 2020. Overall, the index pointed to a moderate deterioration in the health of the non-oil economy.

One of the main contributors to the PMI, the Output Index, signalled a fifth successive monthly fall in business activity in April, coinciding with a further decline in new business inflows. Firms generally reported that weaker market conditions led to a drop in client demand. The pace of decline in output was broadly unchanged from March's nine-month record, with a similar trend seen for new orders.

On a positive note, the level of new export orders received by Egyptian firms increased solidly during April, which panellists linked to an improvement in activity across foreign markets.

Nevertheless, a drop in total sales meant that overall workloads decreased at the start of the second quarter. This allowed firms to clear backlogs, and employment levels fell at the quickest rate for four 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:

"Business activity in the Egyptian non-oil sector was further dampened by weak client orders in April, marking a fifth consecutive month of decline and leading to an additional cut to employment numbers.

"Moreover, price pressures began to accelerate as input costs rose at the quickest rate for 19 months, driven by supply shortages and rising global prices. The uptick contributed to further downward pressure on input purchases, while stocks were depleted for the fourth month in a row.

"On a positive note, there was a renewed increase in new export orders as external client demand picked up. Meanwhile, firms were still confident of a rise in output over the coming 12 months, although the level of sentiment dropped notably from March."

Purchasing activity was also lowered, contributing to a solid reduction in input stocks. Notably, a number of companies reported that higher raw material prices led them to put purchasing decisions on hold during the month, instead utilising existing stocks.

Rising raw material costs were apparent across the non-oil private sector in April. Goods such as metals and plastics were reported as up in price, contributing to a marked increase in purchase prices. In fact, the pace of inflation was the fastest recorded since September 2019.

As a result, overall input costs rose sharply and forced many businesses to raise their selling charges, although the latest increase was notably softer than for input prices.

The mark-up in raw material prices was often related by panellists to global shortages that have also led to widespread supply chain delays. Domestic firms reported a slowdown in supplier performance for the fifth consecutive month, although the latest decline softened from March and was only slight.

Looking ahead, business expectations for future output fell markedly in April, after surging upwards at the end of the first quarter in the wake of an acceleration in the COVID-19 vaccine roll-out. A recent rise in domestic cases and concerns about financial liquidity meant that fewer businesses were optimistic of a rise in output over the next 12 months. The degree of optimism also slipped below the series average.

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 2021 data were collected 12-22 April 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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