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IHS Markit Egypt PMI®

Business output continues to recover, but confidence drops to record low

Key findings

Egyptian business activity rises in November, but rate of expansion slows

Supplier performance improves at joint-record pace

Year-ahead confidence falls to lowest in series history

Data were collected 12-20 November 2020.

Egypt's non-oil economy made further progress in recovering output and new business in November, amid a joint-record improvement in supply chain performance. However, this came against a backdrop of business confidence hitting an historic low, as worries grew over a second wave of coronavirus (COVID-19) in some global markets.

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 above the 50.0 no-change mark for the third month in a row at 50.9 in November. That said, the index was down from 51.4 in October, as growth in both output and new business softened since the start of the fourth quarter.

The recovery in business output - after the downturn caused by the COVID-19 pandemic and associated lockdown measures - lost momentum in the latest survey period. Business activity rose for the fifth month running, but the upturn was softer than the 73-month record set in October.

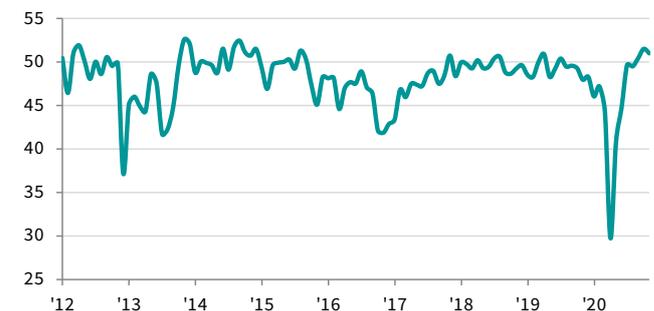
A slowdown in new business growth was also registered in November. That said, firms continued to report a strong increase in sales overall, mainly due to an improvement in client demand following the easing of lockdown restrictions.

Export volumes were up in November, although, as was the case for total sales, the pace of growth softened from the previous month. The slowdown came as some European markets entered into stricter lockdowns to combat a second wave of COVID-19 cases.

Notably, this event led to increased worries among Egyptian
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:

"Weaker rises in output and new business suggested a tail-off in the economic recovery in November, although it came after output growth reached its highest in over six years during October. Firms were constrained by a slower increase in export sales, particularly as many countries in Europe tightened lockdown measures to curb a second wave of the virus. Job numbers decreased again, continuing the trend seen for more than a year."

"Perhaps more encouraging was a joint-record improvement in supplier performance, showing that the second wave in Europe has so far not impacted global supply chains in the same way observed in the spring."

"However, Egyptian firms were also the least optimistic about future output in the series history, amid concerns that activity could weaken if COVID-19 cases rise again domestically."

firms that virus infections could rise in the future and potentially hamper the economic recovery. As a result, confidence regarding business activity over the next year fell to its weakest in the series history, with just 12% of panellists expecting growth.

Subsequently, private sector companies cut employment levels for the thirteenth month in a row in November. More positively, the rate of decrease was the slowest in this sequence, as rising orders and increased backlogs led some firms to expand their workforces.

Buying of inputs rose for the second successive month and at a solid rate. Meanwhile, stock building accelerated to the fastest since September 2019, amid growing demand pressure and expectations of a rise in input prices.

Egyptian companies saw mark-ups in some raw material prices in the latest survey, as well as higher shipping costs and a solid rise in salaries. Nevertheless, overall input price inflation was softer, leading to a slower and only modest increase in average selling charges.

Supplier performance in the non-oil economy improved in November, extending the run of quicker lead times seen since July. Most notably, the rate at which delivery times shortened was the joint-fastest since the survey began in April 2011. The reading pointed to a loosening of supply chain pressures after the global lockdown which, when added to higher business activity and demand, gave further evidence of a strengthening market environment.

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.

November 2020 data were collected 12-20 November 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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