

## IHS Markit Egypt PMI®

### Business conditions deteriorate quickly, but cost pressures remain soft

#### Key findings

Large hits to activity and new business from Covid-19 pandemic

Confidence for future output reaches record low

Cost inflation pressure rises, but remains subdued

Egypt's non-oil private sector economy failed to escape the Covid-19 pandemic in March, with disruptions to tourism and consumer spending causing marked falls in both activity and sales. Employment declined further, while confidence for future output dropped to a record low. On the bright side, input cost inflation remained subdued.

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 47.1 in February to 44.2 in March, to indicate a sharp deterioration in business conditions at the end of the first quarter of the year and the strongest recorded since January 2017.

The decline was driven by marked downturns in both output and new orders at Egyptian businesses. The level of activity fell at the sharpest pace in over three years, with panellists highlighting that lower volumes of new work curtailed output.

Disruption largely arose due to the Covid-19 outbreak, with firms often noting that tourism activity was heavily impacted by the reduction in flight travel. Other businesses cited an ongoing effect from the closure of Chinese factories, leading to reduced input availability.

As a result of the virus outbreak, domestic markets slowed, causing a marked drop in new orders at Egyptian firms. Sales were also reportedly weakened by low employment, while export volumes decreased at the quickest pace in over seven years.

The slowdown led to a further contraction in input purchases  
*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:

*"The global economy is notably reeling from the effect of the Covid-19 pandemic, and March survey data showed that the Egyptian non-oil private sector was no exception. The headline PMI fell to 44.2, the lowest since the start of 2017, mainly driven by marked declines in both activity and new business."*

*"Tourism was highlighted as a key area of disappointment as many countries closed borders and reduced flight travel. That said, the impact was felt across the economy, with consumer spending also falling sharply. Companies responded with a quicker contraction in input purchases, showing that all parts of the supply chain will be affected by the pandemic."*

*"On the positive side, despite firms seeing the US dollar rise leading to increased costs, overall input prices rose just marginally in March. This allowed a further drop in selling prices as businesses hoped to rejuvenate client spending."*

during March, with the rate of decline accelerating to the fastest in more than three years. Stock levels subsequently dropped, albeit at a softer and marginal pace.

Employment in the non-oil sector meanwhile fell for the fifth month running in March. Businesses were reportedly left short of workers due to a number of employees leaving for other opportunities. With sales falling, many of these positions were not replaced, causing a solid drop in workforces overall.

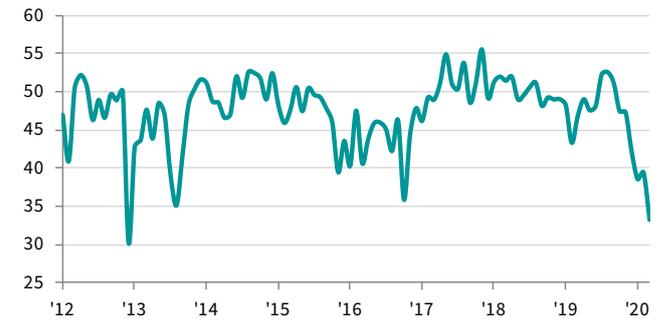
Nevertheless, firms were able to reduce backlogs in March, with latest data signalling the first monthly fall in outstanding work for 12 months.

Egyptian businesses meanwhile saw a decline in vendor performance, linked to travel disruption from the Covid-19 outbreak and earlier Chinese factory closures. The rate of deterioration was modest but still the quickest for 19 months.

At the same time, cost inflationary pressures rose in March, mainly due to an appreciation of the US dollar. Some firms also saw increases in raw material prices. However, reductions in other prices, notably oil, meant that the overall uptick in input costs was marginal. As such, companies were again able to lower output prices, although the rate of decline softened from February.

With the Covid-19 outbreak ongoing, firms were often more downbeat about future output prospects in March. This brought confidence levels down to the lowest in the series history, with many fearing a lasting impact on the domestic and world economy.

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.

March 2020 data were collected 12-23 March 2020.

For further information on the PMI survey methodology, please contact [economics@ihsmarkit.com](mailto:economics@ihsmarkit.com).

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### About PMI

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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