

## IHS Markit Egypt PMI®

# Downturn in non-oil private sector continues in February

### Key findings

Output falls for seventh month in a row, albeit at a slower rate

Export sales continue to drop sharply

Subdued cost pressures provide scope for further discounting

Egypt's non-oil private sector remained in contraction in February, seeing further declines in output, new orders and employment. The combination of soft demand and subdued cost pressures meanwhile led firms to reduce average charges for goods and services, albeit with the rate of decline easing for the third month in a row. Business sentiment towards future output remained positive, but weakened to a five-month low.

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 – registered in contraction territory for the seventh month in a row in February. At 47.1, the latest reading was up from January's near three-year low of 46.0 but still indicative of another solid downturn in the non-oil private sector economy.

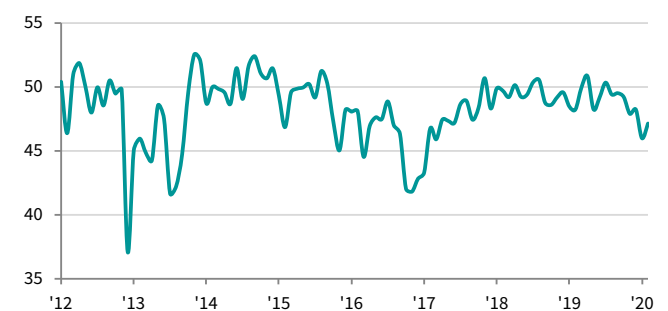
Weakness continued to stem from softer underlying demand, with non-oil companies noting a seventh straight monthly decrease in new business in February. Though easing from January, the rate of decline remained solid and was the second-quickest since May 2017. Reports from surveyed firms indicated that weak labour market conditions continued to undermine domestic demand, while data also showed a further sharp decrease in new business from abroad.

Matching the trend in new business, output of goods and services across Egypt's non-oil private sector decreased for the seventh month running in February, with the rate of decline likewise easing since the previous survey period but remaining solid by historical standards.

*continued...*

Egypt PMI

sa, >50 = improvement since previous month



Source: IHS Markit.

### Comment

Commenting on the latest survey results, Phil Smith, Principal Economist at IHS Markit, said:

*"Egypt's non-oil private sector remained mired in a downturn in February. Though the PMI improved from January's near three-year low, the latest data continue to show broad-based weakness across output, new orders and employment."*

*"Evidence from the survey indicates a vicious cycle of weak labour market conditions leading to lower domestic sales, and subsequently further staff cuts."*

*"It's encouraging to see that firms are attempting to break this cycle by reducing output prices as part of efforts to boost sales."*

*"Unfortunately for local businesses, the challenging domestic market conditions are being compounded by weakness in external demand, with export orders continuing to fall sharply in February."*

*"The outbreak of the coronavirus in China is not only reportedly weighing on export sales, but also dampening business confidence."*

Faced with weaker demand and reduced output requirements, non-oil companies scaled back both employment and purchasing activity during February. Staffing numbers fell at the fastest rate since September 2017, while the drop in buying levels was the most marked in almost three years.

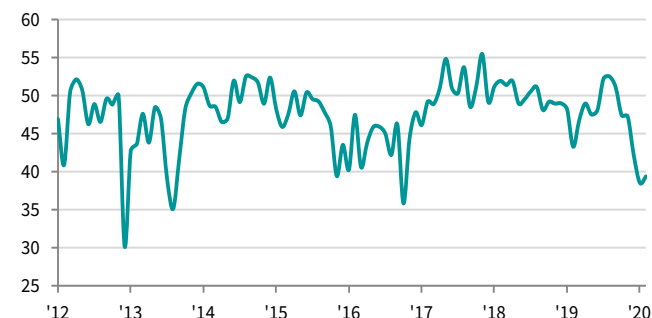
Stocks of purchases decreased accordingly. At the same time, the reduction in demand for raw materials and other inputs was reflected in a stabilisation of supplier delivery times, following deteriorations in the each of the previous two months.

On the cost front, average prices paid for purchases rose only marginally in February, continuing the trend observed over the past four months. There was a further increase in staff costs, though again the rate of inflation was relatively mild. Overall operating expenses thereby increased only modestly, and at one of the slowest rates over the series history (since April 2011).

Subdued cost pressures provided non-oil firms with the opportunity to try to boost sales through discounts. February saw average prices charged for goods and services fall for the fourth month in a row, marking the longest sequence of decline for five years. That said, the extent to which selling prices were reduced was the weakest in the current sequence.

Lastly, February's survey showed that, on average, non-oil firms remained upbeat about the outlook for activity over the next 12 months. That said, the degree of optimism eased for the second month in a row to the weakest since last September, with fears about the impact of the coronavirus on the Chinese economy weighing on sentiment.

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 2020 data were collected 12-20 February 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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