

IHS Markit Egypt PMI®

Price pressures constrain demand across non-oil sector

Key findings

Output and new orders continue to fall solidly

Business confidence drops to series low

Input cost inflation eases from marked level

Data were collected 10-18 February 2022.

Egyptian non-oil companies endured a solid decline in operating conditions in February, according to the latest PMI™ survey data, as price pressures weighed on business confidence and consumer spend. Output levels fell strongly, while there were further reductions in input buying and employment. Concerns surrounding the economic outlook led to the weakest output sentiment in the survey's history, despite a moderation of both input cost and output charge inflation.

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 48.1 in February. The index was below the 50.0 neutral mark for the fifteenth month running and only fractionally higher than January's nine-month low of 47.9.

The Output and New Orders sub-indices were well inside contraction territory during February, as non-oil companies indicated a strong decline in activity in response to weaker sales. Anecdotal evidence suggested that a recent surge in prices had contributed to a drop in client demand. New orders from abroad decreased for the first time since last October.

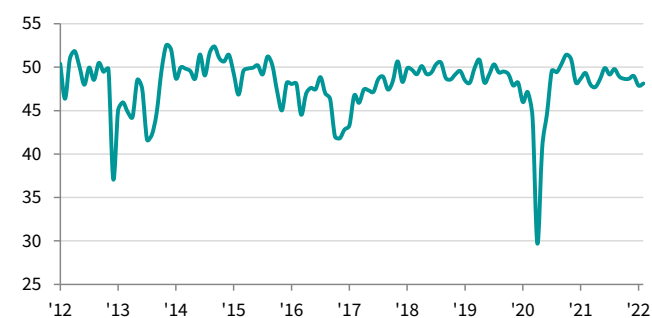
Of the four main sectors covered by the survey, the strongest downturns in output and new business were seen in construction. By contrast, manufacturing was the only area to see an outright (but marginal) expansion in new orders over the latest survey period.

The sharp downturn in activity coincided with a waning outlook among Egyptian non-oil firms. Concerns about economic conditions and the impact of high prices meant that the level

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 pandemic-led surge in input prices and the Omicron wave continued to derail Egypt's recovery in the first quarter of 2022, as the February PMI signalled a deterioration in non-oil economic conditions. Output, new business, employment and purchases were all down, with output falling at a fractionally softer pace than January's 19-month record."

"Egyptian businesses continued to express concerns that the pandemic would constrain activity over 2022, particularly amid a slow vaccine rollout compared to other regions. Overall confidence fell to its lowest level in the series history, with just 11% of firms reporting a positive outlook for the upcoming year."

"Weaker price pressures may be on the horizon though, as the latest data pointed to a marked softening of input cost inflation since the start of the year. Output charges subsequently rose to the least extent since last July."

of confidence dropped to its lowest level since this series began in April 2012. Only 11% of businesses expect output to expand over the next 12 months.

Lower activity and confidence led companies to reduce their staffing levels, resulting in a fourth successive monthly drop in employment. Despite this, firms kept on top of new work and even registered a slight contraction in backlogs for the first time since last June.

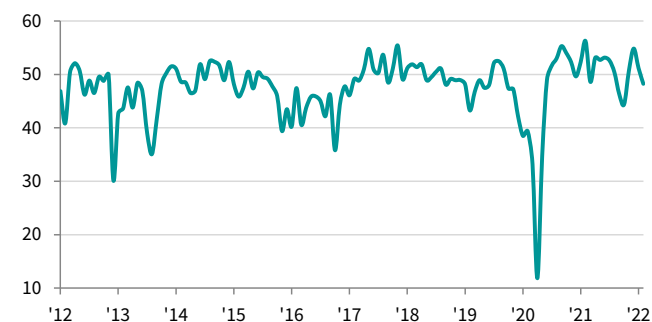
Purchasing activity was also curbed, marking the third decrease in the past four months. Nevertheless, companies found that this led to only a slight decrease in total inventories. Supply chain performance meanwhile deteriorated as some firms experienced temporary disruption as they searched for cheaper delivery options.

More positively, the latest data pointed to a slowdown in the rate of input price inflation, following a pandemic-driven surge in material prices in recent months. Purchase prices continued to rise sharply, though the pace weakened to the slowest since last July, while there was a second successive fall in salary costs.

Subsequently, firms raised their output charges at only a marginal pace midway through the first quarter. Weaker uplifts in charges were recorded across three of the four broad sectors, with the exception of manufacturing.

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 2022 data were collected 10-18 February 2022.

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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