News Release

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# IHS Markit Egypt PMI®

## Inflationary pressures hit three-year high as material shortages spread

## Key findings

Input prices and output charges rise at fastest rates since August 2018

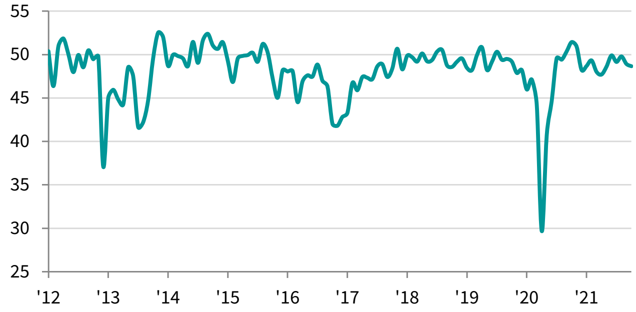
Output falls as firms face stock shortages and supply chain delays

Business confidence weakens sharply to six-month low

Data were collected 12-21 October 2021.

Egypt PMI

sa, >50 = improvement since previous month




Source: IHS Markit.

The Egyptian non-oil private sector faced a widening of the supply chain crisis in October, as a lack of inputs led to a solid contraction in output and the sharpest increases in both costs and charges for just over three years. Export sales fell at the fastest pace in 17 months, although an ongoing recovery in local sales meant that demand conditions remained relatively buoyant.

There were growing concerns among firms that supply disruption will intensify in the coming months and potentially limit the economic recovery, leading to a substantial fall in output expectations from September's record high.

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 48.7 in October, down slightly from 48.9 in September to the lowest since May. That said, the index remained above the series average (which began in April 2011).

Difficulty acquiring a vast array of raw materials and components forced non-oil companies in Egypt to reduce their output levels at the start of the fourth quarter. The pace of contraction quickened to the fastest since April and was solid. Additionally, stocks of inputs fell to the greatest extent since June 2020, as firms commented on the need to withdraw from their inventories to support business activity.

With supplies running short, and shipment delays widening, companies raised their input buying for the third month in a row during October. They also faced a sharp rise in purchase prices,

*continued...*

## Comment

Commenting on the latest survey results, David Owen, Economist at IHS Markit, said:

*"The Egyptian non-oil sector's recovery was stemmed in October as supply chain problems worsened around the globe. Having previously been less impacted than Europe and other regions, Egyptian firms started to feel the burden of material shortages on both output and inventories, with the latter decreasing at the sharpest rate in 16 months. This will likely spill over into further reductions in output by the end of the year.*

*"Costs related to the purchasing of inputs meanwhile rose at the quickest pace since August 2018, pushing companies to mark up their selling charges to the greatest extent in the same time period. Inflationary pressures were spread across a vast array of inputs, including metals, plastics, wood products and construction materials, plus rising freight costs. This suggests that businesses and consumers will struggle to avoid price rises in the months to come."*

with metals, plastics, packaging and building materials all cited as up in price. In fact, the rate of purchase price inflation was the fastest since August 2018, resulting in the sharpest increases in both input costs and output charges over the same time frame.

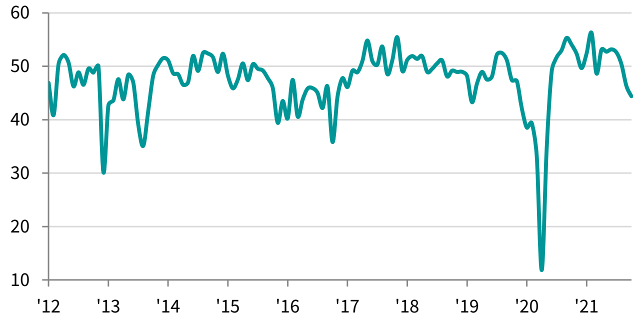
On the positive side, demand conditions in the non-oil economy remained relatively strong in October. Many firms continued to report a improvement in sales, particularly in tourism hotspots, though rising output prices did hinder demand in some areas. Export markets were weak, however, with latest data indicating the quickest fall in foreign orders since May 2020, which led to a marginal reduction in total new orders.

Strength in labour markets was also highlighted by the latest survey, as employment numbers picked up to the greatest extent in two years. Panellists often commented on the need to boost staff capacity following the pandemic. Despite this, backlogs of work increased for the third time in four months amid input shortages.

Worsening supply chain disruption appeared to weigh more heavily on firms' projections for future output in October. After climbing to a record high in September, the respective index saw its largest ever monthly decline of over 20 points, bringing expectations down to the lowest since April. Firms were particularly concerned that high inflation could lead to a slump in demand and reverse the economic recovery seen since COVID-19 restrictions were eased.

New Export Orders Index

sa, >50 = growth since previous month




Source: IHS Markit.

## Contact

David Owen
Economist
IHS Markit
T: +44 1491 461 002
david.owen@ihsmarkit.com

Joanna Vickers
Corporate Communications
IHS Markit
T: +44 2072 602 234
joanna.vickers@ihsmarkit.com

### 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.

October 2021 data were collected 12-21 October 2021.

For further information on the PMI survey methodology, please contact economics@ihsmarkit.com.

### About IHS Markit

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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.
ihsmarkit.com/products/pmi.html.