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IHS Markit Egypt PMI®

Business activity declines as inflation runs high

Key findings

Output and new orders fall for third month in a row

Inflationary pressures remain strong

Renewed contractions in employment and purchasing

Data were collected 12-22 November 2021.

A sharp rise in business costs continued to drive higher selling prices and lower demand across the Egyptian non-oil economy during November. New business fell at the quickest pace for six months, leading to a decrease in output as well as renewed cuts in employment and purchasing. Subsequently, expectations for future output fell to their weakest in a year.

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 – was unchanged at 48.7 in November, indicating a moderate deterioration overall. The index has now posted below the 50.0 neutral mark for 12 successive months.

The decline in business conditions was led by a reduction in output levels in November. Activity fell for the third month in a row, with the rate of contraction largely similar to that seen in October. Panellists mentioned that a loss of client demand and slowdowns due to global supply chain issues were often behind the downturn.

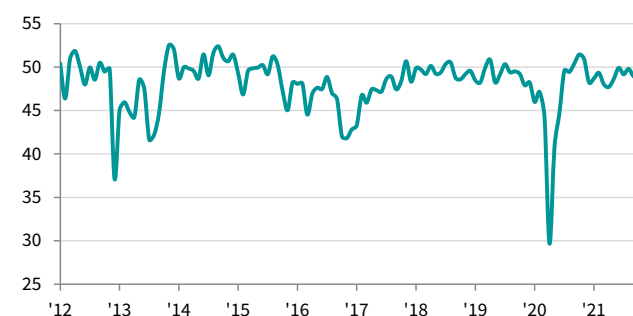
New order volumes also fell for the third consecutive month, with the rate of decline accelerating to the fastest since May. Companies noted that higher selling prices often deterred customer spending in the domestic market. Conversely, new export business rose for the first time since August.

Selling charges were raised sharply midway through the fourth quarter, with the rate of inflation dipping only slightly from October's 38-month high. As raw material costs continued to surge, some firms highlighted price mark-ups of over 10% in order to protect their profit margins.

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:

"Inflationary pressures and supply shortages were again the most prominent depressors of Egypt's non-oil economy in November. Output was down for the third month in a row, matched by a third consecutive decline in new business as higher selling prices deterred client spending in the domestic economy."

"Increased shipping and energy prices continued to burden firms with rising input costs, leaving them to fight for profit margins through a sharp increase in charges. Whilst easing from October, the rate of output price inflation was the second-quickest since mid-2018, providing more ominous signs about the trajectory of consumer prices."

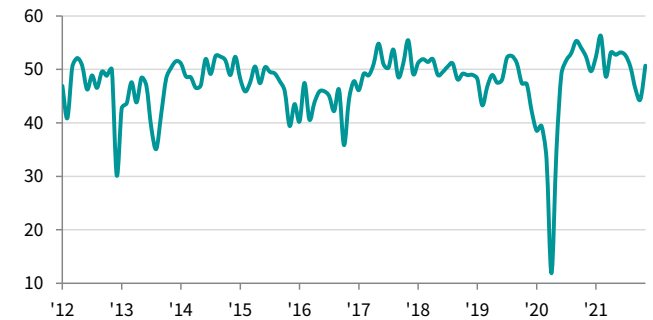
Input cost inflation was similarly marked, and the second-fastest in over three years. Firms indicated that higher fuel and shipping costs often led to increased prices, including for raw items such as foodstuff and paper. Salary costs meanwhile rose for the third month running as companies raised wages in response to an uptick in living expenses.

With inflationary effects depressing sales, companies resorted to a renewed cut in purchasing activity in November. Input buying fell for the first time in four months, contributing to a further depletion in stocks of purchased items. Global supply problems meanwhile led to a deterioration in vendor performance for the first time since June.

Employment numbers started to fall midway through the fourth quarter, after four successive monthly increases in staffing. Panellists noted that the sustained fall in new orders had reduced workloads and led them to leave vacant job positions open. With staff capacity down, backlogs of work increased at the fastest rate since November 2020.

Finally, higher inflation expectations led firms to predict a subdued improvement in activity over the upcoming year. The overall degree of sentiment fell for the second month running to its lowest level in 12 months.

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 2021 data were collected 12-22 November 2021.

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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