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## IHS Markit Egypt PMI®

# Egyptian non-oil business conditions improve for first time in 14 months

### Key findings

Egypt PMI posts above 50.0 for first time since July 2019

New business growth accelerates to fastest in just over five years

Employment falls at slowest pace in ten months

Data were collected 11-22 September 2020.

The Egyptian non-oil private sector registered its first economic upturn for 14 months in September, latest survey data showed. Improvements in consumer demand and export sales led to a stronger rise in business activity, whilst inventories levelled off. Moreover, amid a further increase in backlogs, employment fell at the slowest rate in ten months.

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 – rose from 49.4 in August to 50.4 in September, signalling an improvement during the latest survey period. Moreover, the result marked the first above-50.0 reading since July 2019.

That said, the latest figure pointed to only a marginal improvement in business conditions, suggesting the Egyptian non-oil economy has further scope to recover to the level of performance seen prior to the coronavirus disease 2019 (COVID-19) pandemic.

Continuing the positive trend over the third quarter, firms saw an additional rise in business activity in September. The rate of expansion was the quickest since July 2019, although it was only modest overall.

Aiding the upturn was a third successive rise in new business at non-oil private sector Egyptian companies. Notably, the rate of sales growth accelerated to the strongest in over five years. Firms often commented on an increase in market activity as COVID-19 restrictions were loosened, despite some social distancing measures remaining in place. The reopening

*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 latest Egypt PMI data offered more optimism for businesses, as the September PMI indicated an improvement in economic conditions for the first time in 14 months. While only marginally in positive territory at 50.4, the PMI was also strongly above its trend level of 48.1.*

*"This suggests the non-oil economy is seeing a modest turnaround after the devastating impact of the COVID-19 pandemic. Both the Output and New Orders series have been in expansion territory for three months, pointing to a more upbeat picture for the third quarter of 2020.*

*"The Employment Index also rose to its highest in ten months, and indicated just a slight fall in workforces. While jobs are lagging behind the trend for activity, consistent increases in backlogs and mentions of hiring at some firms signal a stronger outlook for employment in the last quarter of the year."*

supported a rise in new orders and contracts, with export sales also growing sharply.

The economic improvement led firms to ease back on job cutting in September, as the latest drop in employment was the softest seen for ten months. Some firms notably increased hiring due to a rise in new work, which in part offset workforce reductions at other companies. A rise in backlogs was seen for the fifth straight month, highlighting growing capacity pressures in the private sector.

On the purchasing side, companies reported a broadly unchanged level of stocks, thereby ending a nine-month sequence of stock depletion. Some respondents found that successive rises in new orders led them to draw up stocks to support a recovery in output. These measures helped to offset reductions in input buying at other companies. Meanwhile, lead times were shortened for the third month running.

Input price inflation slowed again in September, as latest data indicated the weakest uptick in total costs for three months. This was in part due to a stronger Egyptian pound value and reductions in some raw material prices. Nonetheless, the modest rise in input prices led to the quickest increase in output charges for a year.

Lastly, business expectations were largely unmoved in September, and remained below the series trend. Exactly 36% of companies were confident that activity will improve over the next 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.

September 2020 data were collected 11-22 September 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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