

# IHS Markit Egypt PMI®

## PMI drops to nine-month low in January

### Key findings

Output decreases at sharpest rate since June 2020

New orders fall solidly

Cost inflation remains marked, but charges rise only modestly

Data were collected 12-21 January 2022.

January PMI data signalled a solid and faster deterioration in business conditions across Egypt's non-oil economy at the start of the year, amid weaker client demand and inflationary pressures. Output levels fell at the strongest pace in over a year-and-a-half, while new business volumes declined more quickly than in December.

Employment and purchasing activity also dropped, as firms struggled with another sharp rise in input costs. Nevertheless, output charges rose at the weakest pace for six months amid efforts to sustain customer sales. Hopes of strong growth in 2022 meant that expectations for future output picked up for a second month running.

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 – fell from 49.0 in December to 47.9 in January, the lowest reading since April 2021. This was also below the series average of 48.2 and indicated a solid decline in overall business conditions.

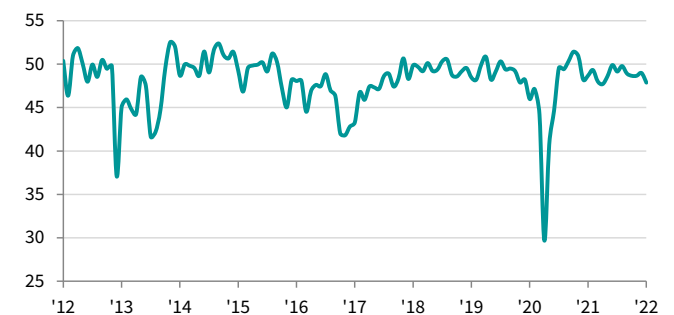
Falls in the Output and New Orders sub-indices drove the PMI lower in January, with the former indicating the sharpest decrease in non-oil activity since June 2020. Weaker output levels were widely linked by survey panellists to a drop in new business, which quickened to the joint-fastest in over a year-and-a-half. Some firms found that high prices for goods and services constrained sales, while others commented on supply issues linked to the pandemic.

The latest downturn was particularly strong in the construction

*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:

*"Egypt's non-oil economy had a disappointing start to the year, as weak demand conditions led to stronger declines in output and new business. The drop-off in sales volumes was the joint-quickest since June 2020, driven by marked contractions in the construction and wholesale & retail sectors. The passing on of higher input costs also contributed to the latest fall in demand, as businesses saw another sharp increase in raw material and freight prices."*

*"More positively, firms remained largely confident that they would weather the current economic storm and see activity increase over the next 12 months. The degree of optimism picked up but remained lower than those seen through much of 2021."*

and wholesale & retail sectors, as latest data pointed to sharp falls in output within these categories. Manufacturing and service sector activity were comparatively more stable in January.

Inflationary pressures in the non-oil sector remained marked at the start of the year, as prices for raw materials, components and transport all continued to rise. However, with customers sometimes reducing their orders due to the price surge, businesses raised their output charges only modestly and at the slowest pace since July.

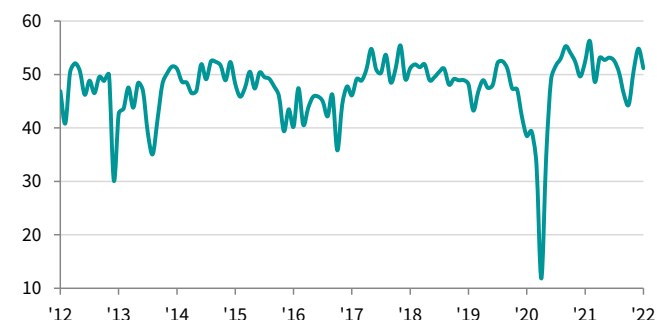
Employment numbers meanwhile fell for the third month in a row, as lower demand resulted in stable backlogs and reduced workloads. There was a renewed fall in purchasing activity, with the rate of contraction the fastest seen since April 2021.

Whilst inventories were also down, the reduction slowed to a marginal rate amid an easing in business requirements and a near-stabilisation of supply chain performance. That said, some panellists found that high shipping costs and supply issues continued to lead to difficulties obtaining stocks from vendors.

Finally, the outlook for future activity strengthened for the second straight month, as confidence continued to rebound from November's 12-month low. Hopes of growth in new business often underpinned expectations of an improvement in output. That said, the overall degree of confidence remained weaker than the series long-run trend (since April 2012).

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.

January 2022 data were collected 12-21 January 2022.

For further information on the PMI survey methodology, please contact [economics@ihsmarkit.com](mailto: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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