

IHS Markit Egypt PMI®

Inflationary pressures ease across non-oil sector in December

Key findings

Input costs and output charges rise at slower rates

Business activity inches closer to stabilisation

Employment falls amid lower sales and weak outlook

Data were collected 6-15 December 2021.

Egyptian non-oil businesses saw a softening of price pressures in the final month of 2021, according to the latest PMI figures. Weaker increases in purchasing costs and wages led to the greatest slowdown in input cost inflation for over three years, while output charges also rose to a lesser extent. Business activity moved closer to stabilisation, although price increases and weak demand continued to stem new orders. Business expectations ticked up from November but remained at a relatively subdued level.

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 to its highest level in four months in December. At 49.0, up from 48.7 in November, the index moved closer to the 50.0 neutral threshold and was above its long-run series average of 48.2 (since April 2011).

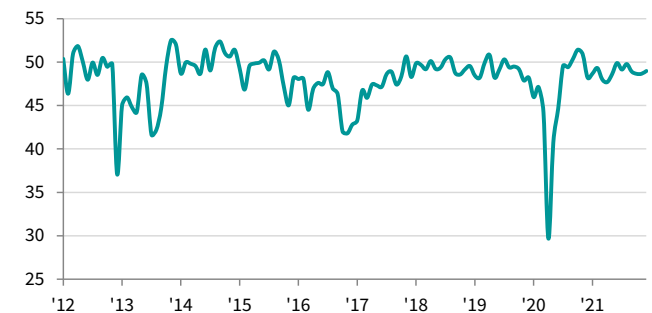
As has been the case since September, output and new orders in the non-oil sector contracted in the latest survey period, although the rates of decline were the softest recorded in three months. Survey panellists continued to highlight weak customer demand that was partly associated with an uplift in selling prices. On the other hand, an improvement in tourism activity supported new business, as well as a sharp rise in export orders that was the strongest since February.

After climbing to the highest in over three years in October, input cost inflation eased again during December. The drop in the respective index was the fastest since October 2018, driven by a slowdown in purchase cost inflation as well as a softer uptick in wages. That said, price pressures were still strong overall,

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 gave increased confidence that inflationary pressures peaked earlier in the fourth quarter and are now beginning to soften. Input prices rose at the slowest rate since September, while the month-on-month drop in inflation was the quickest recorded for more than three years. Firms highlighted a weaker impact from raw material costs as step-downs in global commodity prices helped suppliers to adjust their own fees.

"That said, higher selling prices continued to hinder new business volumes, which declined for the fourth month in a row. Output also fell, although the sub-index ticked closer to the 50.0 stabilisation mark and was above its long-run trend.

"Sentiment data showed that businesses remained relatively downbeat about their prospects in December, with confidence rising only slightly from November's 12-month low. Hopefully, a sustained drop in inflationary pressures could bolster optimism for future activity."

leading firms to mark up their selling charges at a solid pace.

Despite improving price signals, business confidence among non-oil companies was subdued in December, ticking up only fractionally from November's one-year low. Roughly 23% of companies gave a positive outlook, as hopes of a recovery from the pandemic conflicted with concerns about the Omicron variant and the impact of high prices.

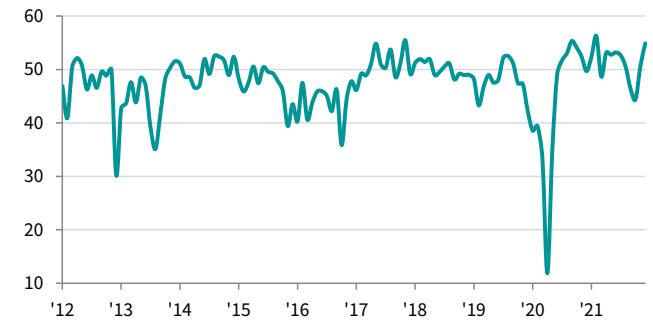
The weak level of sentiment coincided with a further decrease in employment at Egyptian firms, as companies noted that lower sales and a relatively mild rise in backlogs weighed on hiring activity. However, the rate of job reduction was softer than in the previous month and largely driven by decisions to not replace voluntary leavers.

Delivery times lengthened for the second month running in December as companies found that global shipping issues offset supplier performance. However, the overall deterioration in supply chains was marginal and slightly weaker than in November.

Lastly, there was a renewed increase in purchasing activity at the end of the year. Some firms cited efforts to bolster their stocks, although supply delays and outstanding orders meant that inventories were drawn down for the fifth month running.

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.

December 2021 data were collected 6-15 December 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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