

IHS Markit Egypt PMI®

Employment levels rise for first time since 2019

Key findings

Renewed job creation ends 20-month run of decline

Output and new orders recede after last month's expansion

Input price inflation eases to four-month low

Data were collected 12-22 July 2021.

The Egyptian jobs market moved into expansion mode in July, as latest PMI™ survey data indicated a rise in employment for the first time since October 2019. Firms highlighted efforts to boost business capacity after a renewed increase in new orders during June. However, demand receded over the latest period as some customers remained reluctant to spend amid the continued impact of the pandemic.

Meanwhile, the influence of rising raw material prices, fuel costs and employee wages on cost pressures lessened in July, as the rate of input price inflation eased to a four-month low.

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 49.9 in June to 49.1 in July. The latest reading pointed to a slight deterioration in the health of the non-oil sector, and one that was softer than the series trend.

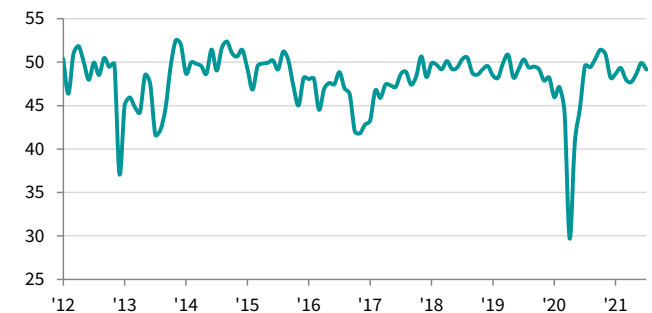
After pointing to renewed expansions in June, both the Output and New Orders Indices fell back below the 50.0 neutral mark in July, as output and demand fell for the seventh time in eight months. That said, rates of declines were less marked than those observed between March and May and during the first half of 2020.

Weaker demand conditions were linked by survey panellists to a drop-off in domestic spending as clients remained hesitant due to ongoing COVID-19 measures. On the flip side, businesses were helped by a sustained and solid increase in orders from foreign clients, as global economic conditions continued to improve.

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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:

"Employment growth across the Egyptian non-oil economy in July pointed to an improved confidence that the worst impact of the pandemic is over. Many businesses are now eager to boost capacity, particularly as new order growth recorded in June led to a modest pile-up of outstanding work in the latest survey period. That said, with the New Orders Index falling back into negative territory, it is clear that the economic recovery remains fragile and in need of further supportive measures to strengthen demand."

Higher new orders recorded in June led a number of companies to boost staffing levels in July, underlining the first rise in non-oil private sector employment since October 2019. The upturn came amid the first accumulation of backlogs for eight months.

Confidence towards future output levels continued to exceed the series average in July. Over 51% of panellists said that they expect activity to increase over the next 12 months, often citing hopes that the pandemic will end.

Supply chains in the non-oil sector meanwhile improved after seven successive months of declining vendor performance. Nevertheless, with new orders falling and input stocks starting to accumulate, demand for delivery services fell as companies reduced their purchasing activity.

The beginning of the third quarter saw a drop in input price inflation, which fell to the lowest since March amid weaker rises in both purchase and staff costs. In particular, firms noted that the recent surge in raw material prices had begun to tail off, although higher shipping and fuel costs continued to pose a concern. Salaries rose at only a marginal pace.

As a result, fewer companies raised their output charges in July, with the overall pace of inflation softening to a four-month low. In fact, some firms offered discounts to try and encourage an uplift in client demand.

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.

July 2021 data were collected 12-22 July 2021.

For further information on the PMI survey methodology, please contact 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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