

# HSBC Egypt PMI™

## Input price inflation accelerates substantially

### Summary

Output and new orders in Egypt's private sector economy both declined for the fourth successive survey period during January, albeit at slower rates than in December. Meanwhile, input prices rose substantially, and the rate of input cost inflation was the sharpest since the beginning of data collection in April 2011. Staffing levels declined for the ninth successive month.

The headline figure derived from the survey is the Purchasing Managers' Index™ (PMI™). Readings above 50.0 signal an improvement in business conditions on the previous month, while readings below 50.0 show a deterioration.

Overall business conditions continued to deteriorate at the start of 2013, as the headline PMI posted 45.0 in January, up from 37.1 in December. The latest reading marked the fourth successive month of deterioration and pointed to a further worsening in operating conditions in the Egyptian private sector.

January data signalled a further fall in output at Egyptian non-oil producing private sector firms. This was the fourth successive month of decline, but the rate of contraction was remarkably lower than in the previous survey period. Volumes of incoming new business continued to decrease in January. Panellists linked this development to the ongoing political and economic instability in the country.

Driven by unfavourable exchange rates, new business from abroad declined further during January. Meanwhile, the level of outstanding business remained broadly unchanged and vendor performance worsened for the second month running. Employment levels at Egyptian non-oil producing private sector companies fell during January, and at the sharpest rate in the survey history.

Overall input prices continued to rise, and the rate of input cost inflation accelerated sharply to record the highest level in the series history. While staff costs remained broadly unchanged, purchase prices rose substantially. Companies commonly mentioned the development of the dollar price as the main driver behind the latest rate of inflation. Concurrently, average tariffs charged rose during January, and at the fastest rate in 22 months of data collection.

Purchasing activity in Egypt's non-oil producing private sector fell for the sixth successive survey period during January. There was some evidence that the decline was driven by lower business. Pre-production inventory levels fell for the first time since April, and at the joint-sharpest rate since December 2011.

### Comment

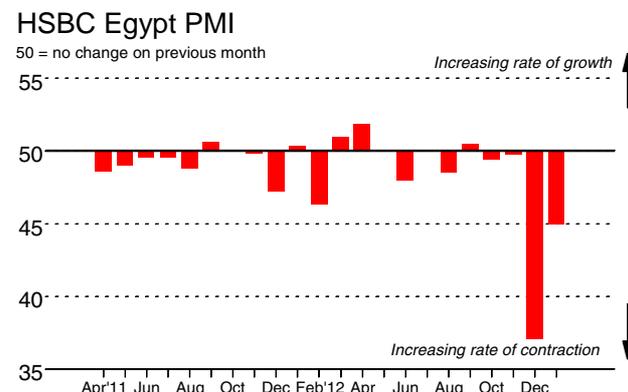
Commenting on the Egypt PMI™ survey, Simon Williams, Chief Economist for the Middle East at HSBC said:

*"It's another poor reading that paints a clear picture of an economy continuing to lose speed. The very sharp rise in input costs captured in the January data is a fresh source of concern, pointing to a squeeze on margins and higher inflation despite weak demand growth."*

### Key points

- Input price inflation quickens to series record high
- Employment levels fall
- Output and new orders continue to decline

### Historical Overview



Sources: Markit, HSBC.

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**Notes to Editors:**

The HSBC Egypt PMI is based on data compiled from monthly replies to questionnaires sent to purchasing executives in approximately 350 private sector companies, which have been carefully selected to accurately represent the true structure of the Egyptian economy, including manufacturing, services, construction and retail. The panel is stratified by Standard Industrial Classification (SIC) group, based on industry contribution to GDP. Survey responses reflect the change, if any, in the current month compared to the previous month based on data collected mid-month. For each of the indicators the 'Report' shows the percentage reporting each response, the net difference between the number of higher/better responses and lower/worse responses, and the 'diffusion' index. This index is the sum of the positive responses plus a half of those responding 'the same'

The *Purchasing Managers' Index™ (PMI™)* is a composite index based on five of the individual indexes with the following weights: New Orders - 0.3, Output - 0.25, Employment - 0.2, Suppliers' Delivery Times - 0.15, Stock of Items Purchased - 0.1, with the Delivery Times index inverted so that it moves in a comparable direction.

Diffusion indexes have the properties of leading indicators and are convenient summary measures showing the prevailing direction of change. An index reading above 50 indicates an overall increase in that variable, below 50 an overall decrease.

Markit do not revise underlying survey data after first publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series. Historical data relating to the underlying (unadjusted) numbers, first published seasonally adjusted series and subsequently revised data are available to subscribers from Markit. Please contact [economics@markit.com](mailto:economics@markit.com).

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