

HSBC Egypt PMI™

Further deterioration in overall business conditions

Summary

February data signalled further declines in output and new orders in Egypt's non-oil producing private sector. While the rates of contraction eased from January, they remained marked. Meanwhile, the rate of job cuts eased and input prices continued to increase.

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.

Posting 46.0 in February, up from January's 45.0, the headline PMI pointed to a further deterioration of overall business conditions in the Egyptian non-oil producing private sector. While the rate of contraction was lower than in the previous two months, operating conditions nevertheless deteriorated for the fifth successive survey period.

Non-oil producing private sector firms in Egypt recorded falling output and declining new orders during February. The current and ongoing political instability in the country paired with insufficient demand were the main drivers behind lower output, while deteriorating economic and political conditions accounted for much of the decline in new orders. Driven by rising dollar prices and the political instability in Egypt, new export orders also fell during February.

While employment in Egypt's non-oil producing private sector continued to decline, the rate of job cuts eased from January. Backlogs of work rose slightly during February, and for the second consecutive survey period. Meanwhile, suppliers' delivery times worsened.

Output prices charged by non-oil producing private sector firms in Egypt rose during February. Moreover, the rate of charge inflation accelerated to the sharpest rate in the series history. Panellists linked this to increased input costs.

Overall input prices increased in the latest survey period. The rate of input price inflation was only slightly lower than in January and remained solid. Driven by high dollar prices and the ongoing political instability in the country, purchase prices rose at a similar pace to January. Staff costs, however, declined for the first time in the series history.

Egyptian non-oil producing private sector companies reported a fall in purchasing activity during February, and commonly linked this to low business. Stocks of purchases also declined, marking the second consecutive month of declining input inventories.

Comment

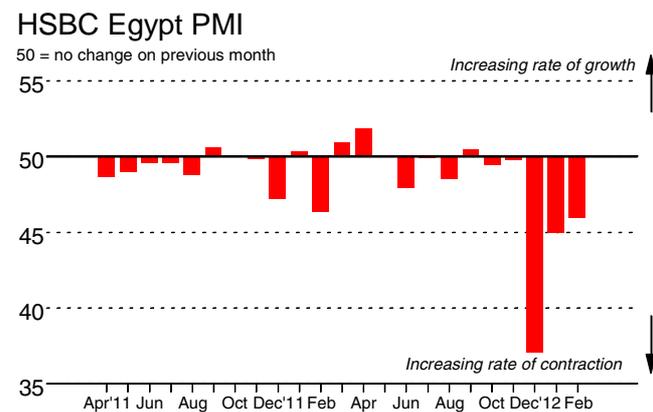
Commenting on the Egypt PMI™ survey, Simon Williams, Chief Economist for the Middle East at HSBC said:

"I see little to be encouraged by in the data. The pace at which the economy is decelerating has moderated a little, but the February reading is the 5th in succession that shows the private sector to be contracting. New orders - at home and from abroad - are still falling from an already low base and employment has dropped once again. The pick up in price pressures captured in the survey is a particular worry, and likely points to the impact not just of the weakening currency but ongoing disruptions to production and the supply chain. With the political environment still fraught, my expectations for better numbers in March are low."

Key points

- Output and new orders both fall for fifth month running
- Rate of job cutting eases
- Input costs continue to increase at sharp rate

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.

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