

HSBC Egypt PMI™

Operating conditions deteriorate at sharpest pace since last December

Summary

April data pointed to further contractions in both output and order book volumes at non-oil producing private sector firms in Egypt. The rates of contraction were the sharpest in four months. Employment levels fell for the twelfth successive survey period, and at an accelerated pace. Meanwhile, the rate of input cost inflation picked up and posted a series record high.

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 44.2 in April, down from 44.8 in March, the headline PMI pointed to a further deterioration of operating conditions at Egyptian non-oil producing private sector companies. The latest survey data marked a seventh consecutive monthly deterioration, and the rate of contraction was the second-sharpest in the survey history.

Output at non-oil producing private sector companies in Egypt fell during April, extending the current sequence of contraction to seven months. The rate of decline was the sharpest since last December, and was often linked to insufficient demand and the high dollar price. Driven by rising input costs and ongoing political and economic instability in the country, volumes of incoming new business declined at a sharp rate. New export business also fell strongly.

The overall volume of incomplete business fell for the first time in four months during April. The rate of contraction was, however, only slight. Meanwhile, average lead times rose at the second-sharpest rate in the series history. Panellists linked worsening supplier performance to fuel shortages and a lack of raw materials.

Egypt's non-oil producing private sector companies remained reluctant to take on additional staff in April. Employment levels have now fallen for 12 months running, and the rate of job losses was the fastest since January.

Mainly driven by higher purchase prices, companies' overall cost burdens increased at the sharpest rate in the series history during April. Respondents commonly linked the increase to the rising dollar price. Average staff costs also rose, but only fractionally. In response to increased input costs, non-oil producing private sector companies in Egypt raised their charges during the latest survey period.

The latest survey data indicated a further decrease in purchasing activity. According to anecdotal evidence, the decline in buying was driven by lower order book volumes. Concurrently, input stocks decreased for the fourth month running in April.

Comment

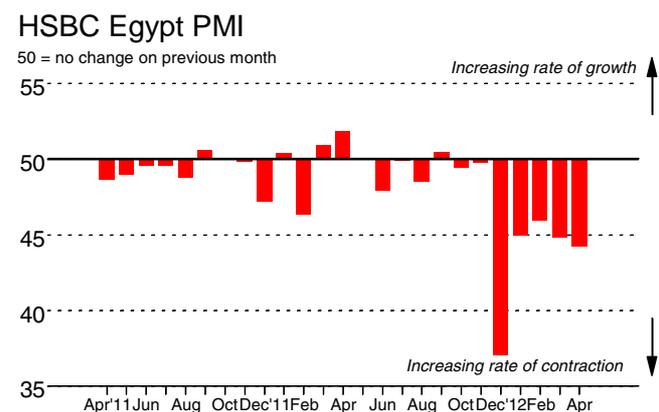
Commenting on the Egypt PMI™ survey, Simon Williams, Chief Economist for the Middle East at HSBC said:

"There is nothing encouraging in this month's data. Even off its low base, the April PMI show the Egyptian economy continues to contract, with falling new orders and declining employment strongly suggesting that the sharp downturn apparent since December 2012 will persist. The very sharp gains in input prices, however, point to further pick up in inflation in the months ahead, eroding real incomes and weighing on hopes for recovery."

Key points

- Output and new orders both decline at fastest rates since last December
- Further fall in payroll numbers
- Input price inflation accelerates to series record

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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