

# HSBC Egypt PMI™

## PMI signals further deterioration in operating conditions in June

### Summary

June data for the Egyptian non-oil producing private sector economy signalled declines in both output and new orders, and the rates of contraction picked up from the previous survey period. Having increased fractionally in May, inventory levels also declined markedly and the overall rate of input price inflation remained sharp.

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.

Operating conditions in Egypt's non-oil producing private sector continued to deteriorate in June, with the headline index registering 47.5, down from May's 48.5. The latest survey data extended the current sequence of overall contraction in the sector to nine months.

Fragile economic and political conditions in Egypt accounted for much of the latest declines in both output and new business, and the rates of contraction picked up from the previous month. New business from abroad also fell at an accelerated pace. Panellists linked the decline in foreign demand to unstable political conditions.

After a marginal increase during the previous survey period, stocks of purchases fell in June, and at the second-fastest pace in the 27-month survey history. Purchasing activity also declined, as companies reported lower order book volumes. Concurrently, Egypt's non-oil producing private sector companies reduced their payroll numbers, although the rate of job shedding was only marginal.

Work-in-hand in Egypt's non-oil producing private sector rose for the first time in three months during June. The rate of backlog accumulation was, however, only slight, with 98% of respondents indicating unchanged levels of outstanding business. Meanwhile, a lack of fuel and raw materials explained a further deterioration in vendor performance.

Overall input prices continued to rise sharply in June, with 35% of companies recording increased input costs. The overall rate of input price inflation was above the series average and mainly driven by a solid rise in purchase prices. According to anecdotal evidence, the increase in purchase prices was driven by an increased dollar price. Meanwhile, average staff costs increased only slightly, as the majority of panellists indicated unchanged average wages.

Output prices charged by Egypt's non-oil producing private sector companies increased in June. The rate of charge inflation eased, however, as some companies lowered their charges to attract new customers.

### Comment

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

*"This month's numbers offer no comfort. Growth remains weak, sentiment poor and inflationary pressures elevated, with weak new orders offering no encouragement that the downward trend is set to reverse. The Egyptian economy is in distress, but without an improvement in political prospects, performance can get worse, even from this low base."*

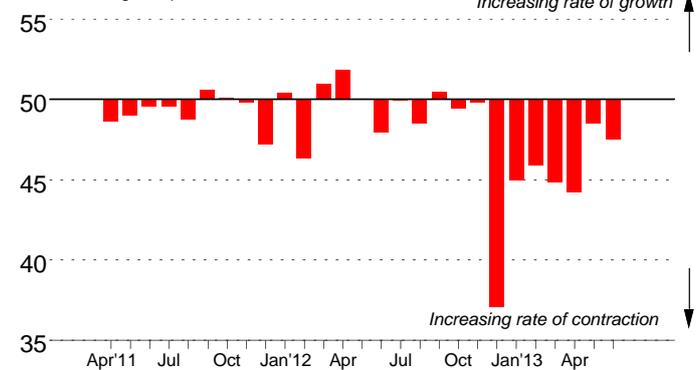
### Key points

- Political instability in the country causes further declines in output and new orders
- Input cost inflation remains sharp
- Stocks of purchases fall at second-sharpest rate in survey history

### Historical Overview

#### HSBC Egypt PMI

50 = no change on previous month



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*<sup>™</sup> (*PMI*<sup>™</sup>) 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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