

HSBC Egypt PMI™

Output expands for first time in 13 months during October

Summary

October data signalled a return to output growth in Egypt's non-oil producing private sector, ending a 12-month period of contraction. New order intakes continued to decline, but only marginally. Meanwhile, employment levels fell at a weaker pace and the rate of overall input cost inflation eased to the weakest in the series history.

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.

Egypt's non-oil producing private sector edged closer to stabilisation in October with the headline PMI posting 49.5, up from September's 44.7. While operating conditions have now deteriorated for 13 straight months, the latest rate of deterioration was the weakest since last November.

Activity at Egypt's non-oil producing private sector firms rose for the first time since September 2012 during October, as companies reported improving conditions in the country. The rate of expansion was, however, only slight. Meanwhile, new orders continued to decline, although at the slowest pace in almost a year. New business from abroad also fell at a weaker rate.

In line with lower new business, staffing levels continued to decline in October. Companies commented on the retirement of employees and the search for better job opportunities. While workforce numbers have now fallen continuously for a year-and-a-half, the latest rate of job shedding was modest.

Overall input costs rose at the slowest pace in the series history during October. A combination of unfavourable exchange rates and increased raw material costs accounted for much of the latest rise in purchase prices. While the rate of purchase price inflation eased since September, staff costs increased at a slightly faster pace.

In an attempt to attract new customers, Egypt's non-oil producing private sector companies lowered their charges for a second consecutive month during October.

Work-in-hand accumulated for the first time in four months during October. However, the rate of backlog accumulation was only marginal, as the vast majority of companies reported unchanged levels of outstanding work. Concurrently, suppliers' delivery times lengthened fractionally.

October data signalled a decrease in purchasing activity at Egyptian non-oil producing private sector companies, extending the current sequence of contraction to 15 months. The pace of decline eased, however, and was modest overall. Stocks of purchases also fell at a slower pace, with the vast majority of survey respondents reporting unchanged input stocks.

Comment

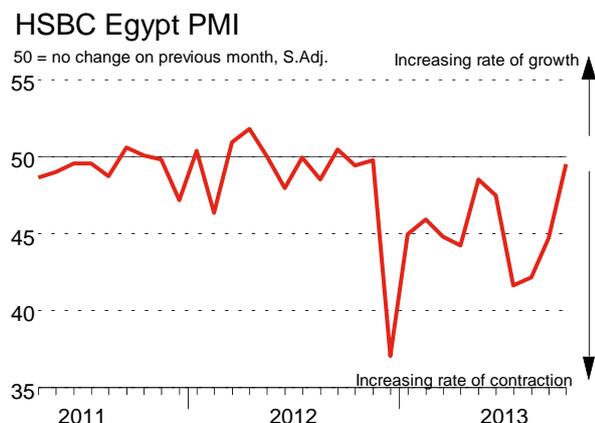
Commenting on the Egypt PMI™ survey, Simon Williams, Chief Economist for the Middle East at HSBC said:

"It's the first encouraging reading in a year, and suggests that after 12 months of heavy losses, the economy may finally be starting to find its feet as the political and security environments calm. The stabilisation is happening at a low level, though, and after such a protracted period of sustained contraction, it will take a long run of month on month gains before the losses of the past year will have been reversed. In the meantime, unemployment will remain high and gains in activity will remain contingent on recent relative political calm being maintained."

Key points

- Activity rises despite marginal fall in new orders
- Rate of job shedding eases
- Overall input costs increase at slowest pace in survey history

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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