

News Release

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S&P Global Egypt PMI®

Business conditions decline at sharper rate in October

Key findings

Solid downturns in output and new orders

Employment and inventories fall for first time since July

Business confidence improves

The S&P Global Egypt PMI® sank to a five-month low in October as inflationary pressures continued to hurt demand conditions across the non-oil economy and drive weaker activity. In addition, firms made cuts to both staffing and inventories for the first time in three months, although expectations towards future activity improved. Supply-side challenges and currency weakness underlined another sharp increase in costs, albeit one that was much softer than the steep rates of inflation seen at the start of the year.

The headline seasonally adjusted S&P Global Egypt Purchasing Managers' Index™ (PMI®) – a composite gauge designed to give a single-figure snapshot of operating conditions in the non-oil private sector economy – dropped from 48.7 in September to 47.9 in October, the lowest for five months. The index signalled a moderate deterioration in the health of the non-oil private sector.

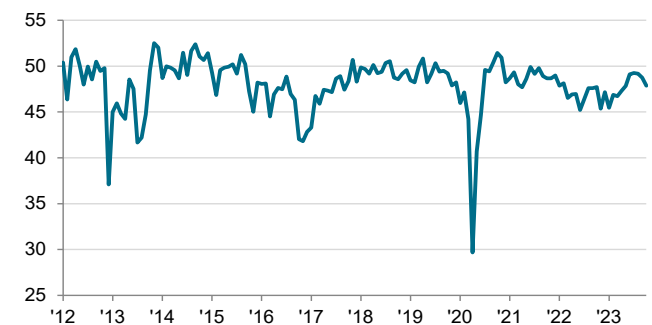
New order intakes fell deeper into negative territory at the start of the fourth quarter, as survey panellists highlighted sustained headwinds to demand from rising prices, currency weakness and supply problems. While around twice as many businesses saw new work decrease over the month as those that saw a rise, the overall rate of decline was nonetheless much softer than seen at the start of the year.

Output was the only sub-component to have an upwards influence on the PMI in October, registering a slower, but still solid contraction. As well as falling sales, survey panellists indicated that sustained material shortages and price pressures led them to reduce activity. Weakness was concentrated on the manufacturing, construction and wholesale & retail sectors, whereas services bucked the trend and posted a slight expansion.

The most notable finding in the latest survey data was a renewed drop in employment numbers at non-oil firms in

S&P Global Egypt PMI

sa, >50 = improvement since previous month



Source: S&P Global PMI.

Data were collected 12-23 October 2023.

Comment

David Owen, Senior Economist at S&P Global Market Intelligence, said:

"The Egypt PMI pointed to the sharpest deterioration in non-oil business conditions for five months in October. A faster decline in new business volumes and sustained weakness in output were recorded as supply shortages and inflation continued to bite, leading companies to make their first reductions in staffing and stock levels since July."

"However, despite sliding from the levels seen in the third quarter of the year, the PMI remained above the readings taken at the start of the year when inflationary pressures on companies were even steeper. While cost pressures are still sharp, they have moderated somewhat over the course of 2023, providing some respite to firms. With this in mind, business confidence picked up in October to the highest level in the year-to-date, implying some optimism that output could improve over the coming 12 months."

PMI®

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October, following job additions in each of the prior two months. Firms highlighted that the quicker drop in sales led them to make layoffs and leave positions vacant. The fall in employment was modest, yet the fastest since February.

Similarly, businesses reported a slight decrease in their inventory levels for the first time in three months, after previously building stocks amid fears of rising input prices. New purchasing activity decreased solidly, while delivery times lengthened fractionally amid import challenges.

On a positive note, backlogs of work increased to a much softer degree in October, after rising at the fastest rate on record in September. Work-in-hand has now risen for four months running.

On the price front, non-oil companies saw another sharp increase in input costs during October, driven by rising material prices and currency weakness. Supply shortages were also cited as a key factor behind price rises, whereas wage costs increased only modestly. That said, the rate of overall input price inflation softened slightly for the second month running. Subsequently, average prices charged by non-oil firms rose solidly in October, but to the least extent since July.

Finally, expectations towards the year-ahead outlook for activity improved to their highest in 2023 so far in October, after reaching record lows earlier this year. Firms were moderately hopeful of a recovery in economic conditions, with 13% of respondents predicting growth for the next 12 months.

PMI Output Charges Index

sa, >50 = inflation since previous month



Source: S&P Global PMI.

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Survey methodology

The S&P Global Egypt PMI® is compiled by S&P Global from responses to questionnaires sent to purchasing managers in a panel of around 400 private sector companies. The panel is stratified by detailed sector and company workforce size, based on contributions to GDP. The sectors covered by the survey include manufacturing, construction, wholesale, retail and services. Data were first collected April 2011.

Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. The indices vary between 0 and 100, with a reading above 50 indicating an overall increase compared to the previous month, and below 50 an overall decrease. The indices are then seasonally adjusted.

The headline figure is the Purchasing Managers' Index™ (PMI). The PMI is a weighted average of the following five indices: New Orders (30%), Output (25%), Employment (20%), Suppliers' Delivery Times (15%) and Stocks of Purchases (10%). For the PMI calculation the Suppliers' Delivery Times Index is inverted so that it moves in a comparable direction to the other indices.

Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

For further information on the PMI survey methodology, please contact economics@spglobal.com.

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