News Release

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S&P Global Egypt PMI®

Output projections slide to record low amid inflationary pressures

Key findings

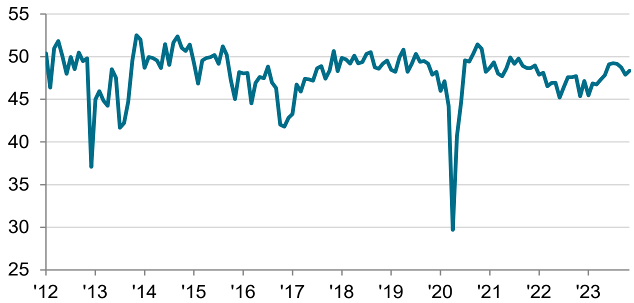
Business confidence falls to lowest level in series history

Solid drops in output and new orders

Sharpest rise in selling charges since March

S&P Global Egypt PMI

sa, >50 = improvement since previous month



Source: S&P Global PMI.

Data were collected 09-22 November 2023.

The latest PMI® business survey data from S&P Global pointed to the worst confidence levels among Egyptian non-oil private sector firms for at least 11-and-a-half years in November.

Elevated inflation rates and persistent falls in output and new orders meant that the activity outlook for the next 12 months dropped to its weakest since data was first collected in April 2012. Inflationary pressures also resulted in a solid drop in client sales, leading to reductions in employment and purchasing.

At the same time, non-oil firms reported a sharper rise in their own selling charges, the quickest since March, as they looked to pass on higher purchase prices arising from currency weakness and input supply challenges. Although picking up from October, purchase price inflation remained softer than the highs seen approximately one year ago.

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 – stayed below the 50.0 no-change mark in November, despite rising to 48.4 from 47.9 in October. The reading indicated a modest decline in the health of the non-oil private sector in the penultimate month of the year.

Output and new business levels continued to decrease solidly in November, despite the rates of decline slowing from those seen in October. According to surveyed businesses, historically high inflation rates continued to depress customer demand, whilst some firms noted that unresolved import problems had constrained activity. Although downturns in output and new business were widespread across the monitored sectors, they were especially marked among wholesale & retail companies.

Comment

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

"Optimism in the Egyptian non-oil economy is eroding as we approach the end of the year, as economic challenges arising from the Russia-Ukraine war put additional pressure on costs and capacity at businesses. While the resulting downturns in new business and output were not as severe compared to those seen at the start of the year, they are also showing no signs of letting up, stretching a sequence of decline that goes back to late-2021.

"With this in mind, the 12-month outlook dropped to its worst level since the series began over 11-and-a-half years ago, as firms highlighted the impact that inflation rates are likely to have on customer demand. Although CPI inflation eased from September's record of 38% to 35.8% in October, it was still one of the highest ever. Reflecting this, the latest survey data showed another marked increase in input costs at companies, while output prices rose at the sharpest rate since March, highlighting that firms feel the need to pass through cost pressures to clients despite the impact on sales."

PMI® by S&P Global

With demand conditions continuing to worsen amid inflationary pressures, non-oil firms in Egypt posted their lowest level of confidence in future activity in the series history. The data showed that expectations were only slightly positive, while the manufacturing and construction sectors slipped into pessimism territory.

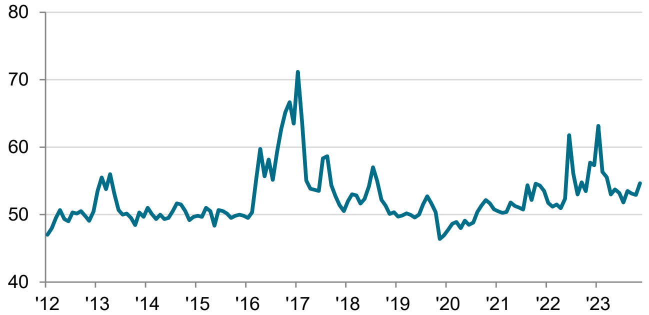
The downbeat outlook came amid another sharp increase in input costs, as firms widely indicated that currency weakness and supplier shortages had driven higher material prices. The rate of input price inflation accelerated from October, although it was still considerably slower than the highs seen in late-2022/early-2023. The uptick in cost pressure led to a sharp and faster rise in average prices charged, where the pace of charge inflation was the quickest since March.

While weak demand levels and price pressures drove non-oil businesses to cut their purchasing activity once again in November, some firms highlighted a degree of safety stock building to protect against future price rises. Subsequently, the overall reduction in purchasing was the slowest recorded since February 2022, contributing to a slight expansion in inventories.

Similarly, employment levels continued to fall in November amid reduced labour requirements, but the rate of job cuts eased from the previous month and was only mild. The slower fall in staffing came amid a further increase in outstanding business, as input shortages and cost pressures led to capacity gaps and delayed the completion of new orders.

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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About PMI

Purchasing Managers' Index™ (PMI®) surveys are now available for over 40 countries and also for key regions including the eurozone. They are the most closely watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends. www.spglobal.com/marketintelligence/en/mi/products/pmi

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