News Release

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S&P Global Egypt PMI™

Downturn in business conditions softens in April as cost inflation drops to one-year low

Key findings

Output and new orders fall at softer rates

Input cost inflation drops below long-run trend

Business expectations down to record low

Egyptian non-oil businesses saw a further downturn in operating conditions in April, according to the latest PMI™ survey data. The pace of decline softened to the weakest for six months, supported by a slower fall in demand levels and easing inflationary pressures. However, import controls and high prices overall continued to weigh on inventories, while sustained economic weakness led to the most downbeat outlook in the survey's history.

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 – posted at 47.3 in April and below the 50.0 neutral mark. However, the index rose from 46.7 in March to its highest since October last year, signalling that business conditions declined to a lesser extent.

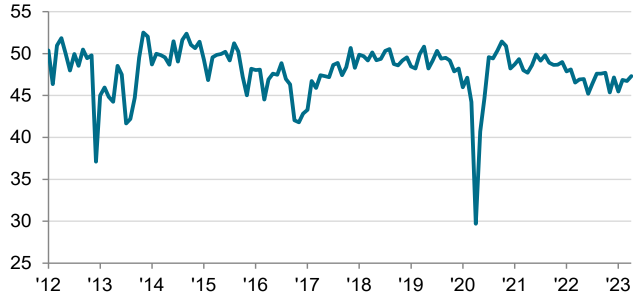
The slower rate of decline was reflected in the Output and New Orders PMI measures, which rose to six- and four-month highs respectively in April. However, they still signalled notable contractions in activity and sales across the non-oil economy. According to surveyed businesses, weak client demand linked to high inflation continued to play a key part in dampening sales. Restrictions on imported goods were also still cited by companies as an inhibitor to capacity levels.

While manufacturing, wholesale & retail and services recorded declines in output and new work, the construction industry registered growth for the first time in ten months.

The latest survey data also suggested that inflationary pressures were easing from the multi-year highs seen towards the end of 2022. A more stable currency market - reflected in a more balanced exchange rate against the US dollar - and improving global supply conditions meant that firms faced a softer round of purchase price inflation in

S&P Global Egypt PMI

sa, >50 = improvement since previous month



Source: S&P Global.
Data were collected 12-20 April 2023.

Comment

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

"The latest PMI figures for Egypt provided some promising hints for the direction of the non-oil economy, particularly on inflation. Relative calmness in currency markets led to reduced pressure on import prices, culminating in the softest rise in purchase costs for a year and one that was weaker than the trend rate. The slowdown encouraged firms to raise their own charges to a lesser extent, which helped to partly alleviate the downturn in sales. Indeed, new orders fell at the softest pace for four months, although still markedly overall.

"The findings suggest that headline inflation in Egypt should begin to soften over the coming months after hitting a near six-year high of 32.7% in March, which will help to ease the cost-of-living crisis. Similarly, weaker price rises should eventually translate into reduced pressure on demand and activity. Nevertheless, there remains a high degree of uncertainty in future economic conditions, leading firms to post their weakest outlook for activity levels in the series 11-year history."

April. Furthermore, staff wages rose only slightly and at the weakest pace for eight months. As a result, total input costs increased to the least extent in exactly one year, and the rate of inflation was below the series long-run trend.

With cost inflation slowing, and reported efforts to boost sales, the rate of increase in output prices softened for the third consecutive month and was the least marked since last August.

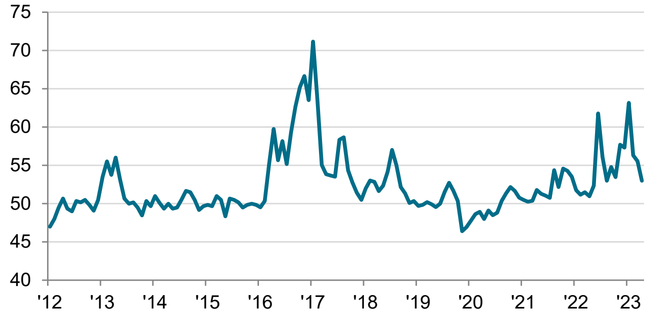
High material prices meanwhile contributed to a fall in purchasing activity in April, as businesses often chose to draw on their inventories to meet new orders. Stock levels decreased for the sixth month running. Lead times lengthened again, though only marginally.

Non-oil companies continued to register a degree of spare capacity in April, leading to a fall in backlogs of work for the third month running. That said, the reduction was only mild and somewhat constrained by import shortfalls. Amid the drop in workloads, firms reduced their headcounts for the fifth month in a row, although the latest cut was only fractional and the slowest seen in this sequence.

Despite some positivity from a softer rate of cost inflation, firms' output expectations for the year ahead fell to their weakest on record in April. Businesses noted that weak demand both domestically and abroad, and high price levels, meant that the path for future activity was still highly uncertain.

PMI Output Charges Index

sa, >50 = inflation since previous month



Source: S&P Global.

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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@ihsmarkit.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. ihsmarkit.com/products/pmi.html.

PMI™ by S&P Global