News Release

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S&P Global Egypt PMI™

Softest downturn in business conditions for 15 months in May

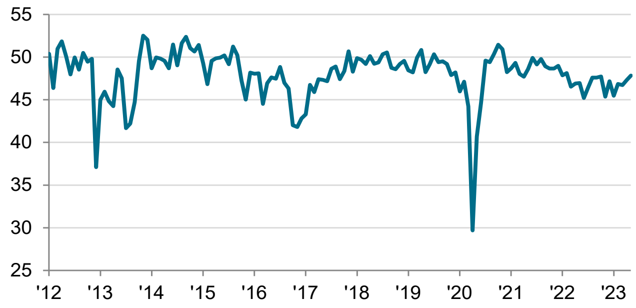
Key findings

Output falls at weakest rate since the end of 2021

New orders decline slows

Inflationary pressures remain less marked than recent trend

S&P Global Egypt PMI
sa, >50 = improvement since previous month



Source: S&P Global.
Data were collected 12-22 May 2023.

Egypt's non-oil private sector economy experienced a softer decline in business conditions in May, as progress towards a stabler demand environment led to a slower, but still solid contraction in activity levels. While higher prices continued to dent sales, output and purchasing, firms signalled that inflationary pressures were much softer than the highs seen at the turn of the year. Nevertheless, ongoing challenges for non-oil companies meant that the activity outlook remained subdued and employment levels were cut again.

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 – rose for the second successive month, from 47.3 in April to 47.8 in May. Despite remaining below the 50.0 no-change mark, the index was at its highest level since February 2022.

Business activity levels continued to fall in the latest survey period, reflecting sustained efforts by companies to reduce output in line with weaker sales volumes. However, whilst solid overall, the rate of decline was the softest registered in almost a year-and-a-half, helped by near stabilisations in the manufacturing and services sectors.

Similarly, receipts of new orders at non-oil businesses declined to a lesser extent in May, with this index picking up to its highest for seven months. While firms continued to report subdued demand that was largely attributed to inflation, some respondents began to see a recovery in client orders. Notably, new business intakes in the services economy grew for the second time in three months. Additionally, sales to foreign clients decreased at the softest rate in 2023 so far.

May survey data cemented the view that inflationary pressures have softened from the multi-year highs recorded in late-2022 and early-2023. A broad steadying of exchange

Comment

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

"The Egypt PMI remained in negative territory in May, but showed further promise that current economic headwinds were beginning to dissipate. The headline index rose for the second month running to 47.8, while the two main sub-indices of Output and New Orders rose to their highest levels in 17 and seven months, respectively.

"Companies signalled that input cost pressures were again much softer than at the beginning of the year, as a period of stabilisation in the Egyptian pound versus the US dollar helped to cool import markets. This led to another relatively soft rise in selling charges, providing some hope that consumer price inflation will fall again in May.

"The improvement on the prices side also helped to strengthen the demand picture. While new orders both at home and abroad continued to fall, rates of decline softened from April, with the overall contraction in sales easing to the least marked since October last year.

"Positivity in the services economy – where new business intakes rose for the second time in three months – suggests that demand could make further strides towards a recovery in the coming months. Nevertheless, confidence levels remain broadly subdued, with just 6% of respondents expect a rise in activity over the next 12 months. Although, this was still better than the survey-record low registered in April."

rates meant that purchase prices rose at a pace largely unchanged from April's 12-month low, albeit still sharply overall. Selling prices rose at a solid and quicker pace, but one that was also much weaker compared to those seen recently.

Nonetheless, the toll of rising input prices and weak demand meant that purchasing activity at non-oil businesses continued to decline, leading to a further contraction in firms' input inventories. The pace at which input purchases decreased was the slowest seen since last October, however. Ongoing import restrictions meant that lead times on inputs lengthened, albeit only mildly.

Employment cuts were also recorded in May, marking the sixth consecutive month of job losses. Firms noted that low sales and difficulties paying staff due to a lack of liquidity were behind the reduction, which accelerated from April but was only marginal overall. Despite the decline in staffing capacity, backlogs of work continued to decrease.

Finally, business expectations towards the next 12 months picked up in May, following a survey-record low at the start of the second quarter. Despite the improvement, confidence levels were still among the lowest ever recorded, amid continued concerns about demand conditions, inflationary pressures and supply-side challenges. Only 6% of companies were hopeful that output levels will expand over the coming year.

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.

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