

News Release

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S&P Global Egypt PMI™

Egypt PMI rises to 22-month high, but remains inside contraction territory

Key findings

Slowest decline in output for nearly two years in June

Inflationary pressures remain well down from January's peak

Employment falls again as business confidence stays subdued

Egypt's non-oil private sector economy remained under pressure at the end of the second quarter, with the PMI™ once again signalling a deterioration in business conditions. That said, both output and new orders fell at weaker rates, pushing the headline index up to a 22-month high to signal only a marginal decline since May. Meanwhile, inflationary pressures eased slightly and remained much softer than the peaks seen in January.

However, the level of employment dipped for a seventh consecutive month in June amid subdued confidence towards the 12-month outlook. In fact, the level of optimism was the second-lowest on record.

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 – remained below the critical 50.0 level that separates improvement from deterioration. That said, the PMI rose from 47.8 in May to 49.1 in June, its highest level since August 2021 and indicative of a decline that was only marginal overall.

Output across Egypt's non-oil private sector continued to fall in June. According to panel member reports, price pressures, liquidity issues and weak demand drove total business activity volumes lower at the end of the second quarter. That said, the rate of decline was the weakest seen in 21 months and only slight overall.

June survey data indicated a softer downturn in demand conditions. Although total intakes of new work fell, the rate of decrease was the softest since December 2021. Whilst high prices and subdued economic conditions reportedly weighed on sales performances, some companies saw an uplift in certain parts of the market. The latest survey data implied that any improvements were driven by domestic

S&P Global Egypt PMI

sa, >50 = improvement since previous month



Source: S&P Global PMI.

Data were collected 12-22 June 2023.

Comment

Joe Hayes, Principal Economist at S&P Global Market Intelligence, said:

"The Egypt PMI retained its upward momentum in June, rising closer to the critical 50.0 threshold that marks stabilisation. At 49.1, the index reached its highest level for almost two years. Behind June's sustained uplift in the PMI were output and new orders, which similarly showed rates of decline softening amid reports from some survey members that demand conditions were beginning to show green shoots of recovery.

"An easing of inflationary pressures will also be welcomed. After the steep price increases seen at the start of the year, fewer companies are reporting such high cost pressures. The overall rate of input price inflation cooled to a 16-month low during June, which led output charges to rise at a slightly weaker rate.

"However, despite positive directional movements in a number of sub-indices, business confidence fell to its second-lowest level on record, highlighting a sombre mood amongst businesses across Egypt's non-oil private economy. If key survey indicators such as output and new orders can sustain their upward current trajectory, we may see an improvement in business sentiment in the coming months."

PMI™

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clients, however, as new export orders fell at a sharp and accelerated pace that was the strongest in nine months.

Subsequently, non-oil private sector firms in Egypt reduced their purchasing activity, as well as their stocks of inputs. In both cases, however, the rates of decline slowed since May.

Continued contractions in output and new business enabled firms to clear orders pending completion for a fifth successive month. The absence of pressure on capacity led to a seventh straight monthly reduction in staffing levels across Egypt's non-oil private sector. The drop in employment was only marginal, however.

Looking towards growth prospects in the coming 12 months, surveyed Egyptian non-oil firms remained subdued. Growth expectations were only mildly positive and at their second-weakest since the series began in April 2012.

Finally, survey data on prices signalled a further moderation of inflation across Egypt's non-oil private sector. Overall input cost inflation eased to a 16-month low, driven by a slower uptick in purchase costs. Output prices followed suit, rising at a weaker pace than in May. Where an increase in charges was reported, panellists attributed this to higher purchase and production costs, as well as efforts to guard against exchange rate depreciation.

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@ihsmarkit.com.

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