News Release

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S&P Global Egypt PMI™

Downturn in operating conditions remains soft in July

Key findings

Output contracts at slowest rate since September 2021

New orders decline modestly

Softest increase in selling charges for 15 months

Egypt's non-oil private sector economy registered another mild downturn in July, following a notable slowdown in the rate of contraction at the end of the first half of the year. Output decreased at the softest pace in nearly two years, as new order inflows dropped only modestly and there was a renewed uptick in backlogs. Subsequently, staffing levels and inventories near stabilised, with the latter helped by a renewed improvement in supply conditions.

Easing demand weakness was accompanied by a further softening of output price inflation in July, as firms reported the slowest rise in their own charges since April 2022. At the same time, exchange rate weakness meant that purchase prices continued to rise sharply, placing additional pressure on business margins.

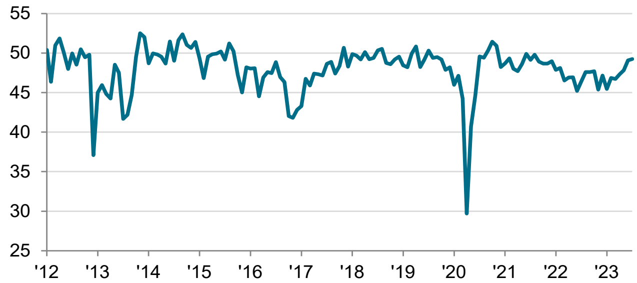
The headline seasonally adjusted S&P Global Egypt Purchasing Managers' Index™ (PMI™) – a composite gauge designed to give a single-figure snapshot of operating conditions in the non-oil private sector economy – ticked up slightly to 49.2 in July, from 49.1 in June. Despite recording below the 50.0 no-change mark and signalling a marginal decline in the sector's health, the index was above its long-run average for the second month running.

Following June's findings, Egyptian non-oil companies registered another month of relatively modest contractions in both output and new orders compared to those seen at the beginning of the year. In fact, output decreased to the softest degree since September 2021. The fall remained broad-based however, with declines registered in all four sectors covered by the survey.

Helping the softer decline in output was a modest drop in new business intakes, as the latest data signalled the weakest contraction in just over a year-and-a-half. While several firms mentioned that higher prices and broader inflationary

S&P Global Egypt PMI

sa, >50 = improvement since previous month



Source: S&P Global PMI.
Data were collected 12-21 July 2023.

Comment

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

"The Egypt PMI was again close to the 50.0 neutral mark in July, ticking up to 49.2 from 49.1 in June, as business activity dropped at the weakest rate in almost two years. The decline in new orders also showed further signs of softening, as firms reported initial pointers of a recovery in market demand following a lengthy downturn.

"There were also positive signals for inflationary pressures which will be welcomed by businesses and customers alike, following a record high CPI reading of 36.8% in June. Selling prices rose modestly and at the softest pace since April 2022, which should help to boost demand in the months ahead. Increases in cost burdens were also mild relative to those seen at the start of the year, although the pace of inflation ticked up slightly from June and remained sharp amid weak exchange rates.

"Despite the general movement back to stabilisation territory, firms are still fairly subdued about the future, with just 6% of survey panellists expecting output to grow over the next 12 months. Nevertheless, if the demand recovery spreads and official inflation metrics show a softening, we could see a pick-up in sentiment soon. A near-stabilisation of staffing numbers following a seven-month decline also suggests that firms may be preparing for a recovery."

pressures had dampened spending, others noted a recovery in market demand. Orders from foreign customers continued to fall solidly, although the decline was less marked than in June.

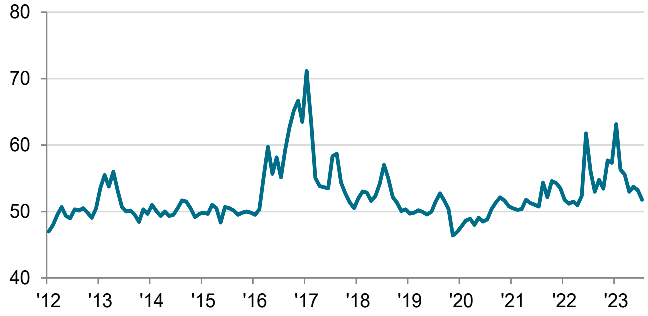
Meanwhile, average prices charged by non-oil businesses increased at the slowest pace since April 2022 and modestly, as firms continued to temper price rises partly in an effort to stimulate sales. The slowdown was also linked to a softening of cost pressures in recent months, although July data showed a slight uptick in the rate of input price inflation as the weak exchange rate against the US dollar drove purchase prices higher. Wage inflation was comparatively mild and at a three-month low.

Elsewhere, July survey data signalled a renewed – albeit marginal – shortening of supplier lead times, the first since October 2022, which in part supported a broad stabilisation of inventories. Purchasing activity continued to fall, although the rate of reduction was the softest in nearly one-and-a-half years.

Employment levels were also practically stable in July, as the softer fall in sales encouraged firms to retain staff, and backlogs were up for the first time since January. However, firms remained fairly underwhelmed about the outlook for future activity, with the degree of confidence picking up from June but remaining among the lowest recorded in the series history.

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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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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