

News Release

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S&P Global Egypt PMI™

PMI remains at joint two-year high in August

Key findings

Headline index unchanged at 49.2, highest since August 2021

Drop in output accelerates amid steeper cost pressures

Renewed upturns in employment and inventories

The decline in business conditions across the Egyptian non-oil private sector remained mild during August, according to latest PMI™ survey data, as companies continued to report some signs of a recovering market. Positivity towards future activity picked up as a result, helping lead to renewed increases in employment and stock levels.

Output fell modestly but at a slightly stronger rate in August, as businesses signalled that tougher price pressures had led to curbs on capacity. Input cost inflation indeed quickened to a five-month high, resulting in a faster rise in selling prices compared to July's recent low.

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 at 49.2 in August, posting only just below the 50.0 no-change mark. The index was at its joint-highest level in exactly two years, after enduring a persistent run of contraction.

As has been the case over the past three months, non-oil companies reported relatively modest drops in activity and new orders in the latest survey period. While declines remained broad-based across the sectors monitored, linked to weak economic conditions both at home and abroad, there were frequent mentions from panellists of a recovery in market demand.

Despite this, non-oil companies indicated that a stronger round of cost inflation had constrained output, as weak exchange rates, raw material supply issues and wage pressures led to the fastest increase in business expenses for five months. The rate of decline in business activity subsequently picked up to the quickest since May, though it was still modest and among the softest recorded in the current two-year sequence of decline.

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



Source: S&P Global PMI.
Data were collected 10-22 August 2023.

Comment

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

"The Egypt PMI continued to hover close to the 50.0 neutral threshold in August. The 49.2 reading was the joint-highest in two years alongside July's figure, as output and new orders fell at modest rates while employment and inventories moved into expansion territory. The findings suggest that the sector has somewhat stabilised in recent months after a prolonged period of contraction.

"However, a pick-up in inflationary pressures was also indicated by the August survey findings, with some firms noting that a faster increase in input costs had reduced overall activity. Comments from surveyed companies suggest that exchange rate problems and cost of living pressures will need to be fully addressed before the country can escape the detrimental effects of inflation which currently runs at a record high."

The quicker rate of input cost inflation resulted in a stronger round of selling price hikes in August. After softening to a 15-month low at the start of the third quarter, the rate of output charge inflation strengthened and was solid overall.

Hopes that a market recovery will spread further across the non-oil sector underpinned an improvement in business confidence towards the year ahead in August, which rose to the highest level in five months. In anticipation of greater activity, the latest survey data showed a rise in employment numbers for the first time since November 2022, as well as a renewed expansion in input stocks. Inventory building was helped by a slight reduction in average lead times on purchases, as well as a quicker drop in output which led to some excess holdings.

On the other hand, despite strengthening, the activity outlook was still among the lowest recorded in the series history. Only 9% of respondents were positive that output will grow over the coming year, while many still feared recessionary conditions. At the same time, firms reported a much sharper reduction in input buying compared to one month ago, citing that weaker orders, supply issues and higher input price inflation had reduced spending appetites.

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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