

News Release

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S&P Global Egypt PMI®

Business activity continues to fall sharply, but some relief on prices signalled

Key findings

Second-sharpest drop in output for 14 months

Order volumes fall markedly amid currency volatility

Input and output price inflation soften

Egypt's non-oil private sector economy continued to see a worsening of conditions at the end of the first quarter, latest PMI® survey data showed. Business activity and new order volumes fell at similarly marked rates as those recorded in February, with firms once again indicating that volatile currency markets had hurt customer demand and driven up prices. However, recent policy responses meant that input price inflation was not as severe in March, supporting a slower increase in output charges.

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 from 47.1 in February to 47.6 in March, indicating a softer, but still-solid deterioration in the health of the sector. The PMI remained below the average reading seen since the survey's inception in April 2011 (48.1).

Activity across the non-oil private sector declined sharply over the course of March, as weak order books and elevated inflationary pressures continued to hit business output and confidence. Notably, the downturn was only fractionally softer than the recent nadir in February, and the second-strongest in 14 months.

The slump in demand was also little-changed, as new order volumes decreased sharply. The weak exchange rate of the pound against the US dollar, as well as general price uncertainty, often led to a drop in client spending, according to survey respondents. On the upside, higher foreign demand supported the first increase in new export orders since December 2022.

Meanwhile, sentiment towards future activity ticked down in March and was among the weakest levels recorded in the series history. While firms remained positive about the next 12 months, there were some concerns that economic

S&P Global Egypt PMI

sa, >50 = improvement since previous month



Source: S&P Global PMI.
Data were collected 12-20 March 2024.

Comment

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

"Businesses in Egypt's non-oil private sector continued to come under pressure from the country's recent currency crisis in March. The sharp fall in Suez Canal activity due to the Red Sea crisis led to a marked drop in US dollar inflows in February, causing exchange rates and inflation to spiral upwards. February's PMI results indicated a considerable downturn in business activity, and March was little different, except for a modest reduction in the rate of decline.

"It was also hoped that the central bank's intervention in early-March, consisting of an emergency 600 basis points interest rate hike and the floating of the Egyptian pound, would start to reverse the damage. PMI survey data on prices suggests this may be the case, with rates of input cost and output price inflation slowing to three-month lows. On the other hand, firms are still lacking confidence that activity will grow over the year ahead, suggesting that economic risks may take more time to disappear."

PMI®

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conditions will remain depressed and bring sales down further.

Although business activity and confidence remained subdued, the March PMI survey signalled that recent measures to combat Egypt's currency crisis, particularly the raising of interest rates and floating of the Egyptian pound, did bring some relief to price pressures. The rate of overall input price inflation dropped to a three-month low, as some firms found that local market exchange rates had improved. However, others saw material prices rise further, while rampant cost-of-living pressures led to the strongest rise in wages since October 2020. Average output prices increased at the slowest rate for three months but still much faster than the long-run trend.

Input purchases at non-oil companies continued to fall at a robust pace in March, mainly due to lower new work inflows. Higher prices also constrained buying activity, according to some companies, while shipping issues and material shortages contributed to a further decline in vendor performance.

More positively, businesses raised their staffing levels for the first time in 2024 so far. The slight increase helped to offset a reduction in February. This also contributed to a fractional drop in backlogs of work, which was the first recorded since last June.

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@spglobal.com.

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