News Release

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S&P Global Egypt PMI™

Inflationary pressures continue to curb non-oil activity in Egypt

Key findings

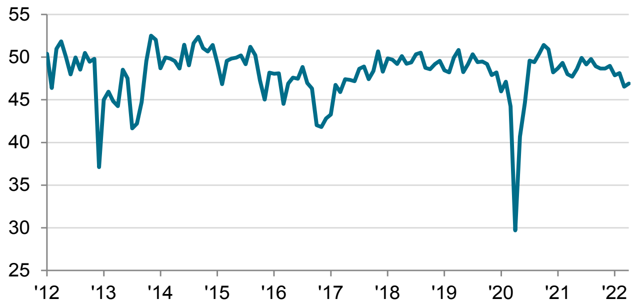
Output and new business fall sharply

Input costs rise at marked pace

Strongest reduction in employment for a year

S&P Global Egypt PMI

sa, >50 = improvement since previous month



Source: S&P Global.
Data were collected 11-21 April 2022.

Business conditions in Egypt's non-oil economy remained under strain from inflationary pressures, supply problems and geopolitical tensions in April. The latest PMI survey data pointed to a further marked decline in private sector business activity, driven by a sharp drop-off in client demand and rising input costs. As a result, businesses continued to reduce their purchasing activity whilst also cutting employment numbers at the fastest rate in exactly one year. Despite improving from a survey-record low in March, business confidence was again downbeat as firms expect price pressures to remain severe.

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 – posted at 46.9 in April, up slightly from 46.5 in March but still well beneath the 50.0 neutral threshold. The index signalled a solid deterioration in business conditions that was the second-fastest since June 2020.

Broadly matching that seen in March, Egyptian non-oil businesses registered a marked decline in new orders during April as client demand was once again offset by rising living costs and selling charges. Overall new business fell for the eighth month running, as weak domestic orders ran parallel with a fall in new export sales.

Non-oil business activity also decreased sharply in April. Whilst easing fractionally from March, the downturn was still the second-quickest in just under two years as firms often reported making cut-backs due to rising input costs.

Cost pressures largely arose from increased prices for energy and raw materials due to the war in Ukraine, although many panellists also commented on a recent devaluation of

Comment

David Owen, Economist at S&P Global, said:

"Non-oil business activity in Egypt continued to fall sharply in April as businesses faced a further increase in material and energy costs due to the war in Ukraine and a devaluation of the pound in late-March. New orders were also hit as customers reined in their spending, leading to a reduction in employment that was the most marked in exactly one year.

"Manufacturers remained the most exposed to these setbacks, with increased raw material prices and supply shortfalls leading to a solid cut in goods production, although wholesale & retail and services also saw a drop in activity. Construction was the only bright spot as PMI data suggested that activity and new work had increased for the first time in 2022 so far.

"The continuation of the war in Ukraine meant that firms expect further price and supply challenges, resulting in another relatively downbeat outlook for business activity. The gap between input prices and output prices also signalled that firms are taking on a large part of the cost burden and delaying price rises until the demand situation has recovered."

the Egyptian pound. Despite softening marginally, the rate of overall input price inflation was strong and remained above the average seen in 2021.

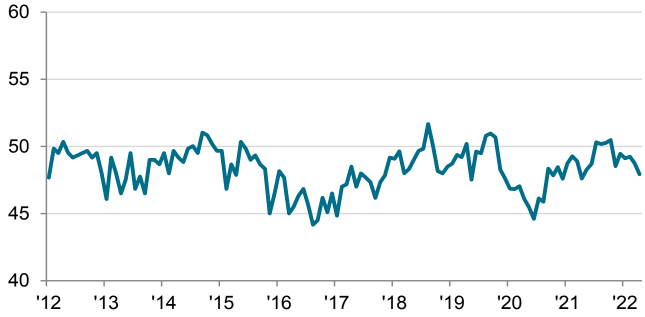
With cost burdens remaining severe, Egyptian firms made further efforts to limit their spending on materials and labour. Purchasing activity fell sharply and for the fourth successive month, resulting in a solid reduction in average stock levels. At the same time, businesses reported longer wait times for inputs as some vendors were forced to delay deliveries due to reduced material supply and higher prices.

Lower demand pressures meant that many firms had a degree of spare capacity in April, as indicated by a modest decrease in backlogs of work. Subsequently, some firms reported leaving open job positions vacant, leading to a drop in employment levels that was the quickest seen in exactly one year.

In spite of accelerating business costs, selling prices at Egyptian firms rose only slightly during April. In fact, the increase was the weakest seen since July 2021, as companies opted to absorb a large part of the cost burden rather than passing it on to their customers.

Finally, the survey data pointed to improved business sentiment across the non-oil economy in April, as the outlook for future activity rose from March's record low. That said, it remained weak by historical standards with fears around inflation, supply and geopolitical issues persisting.

PMI Employment Index
sa, >50 = growth 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.