News Release

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S&P Global Egypt PMI™

Business downturn softens as price pressures ease

Key findings

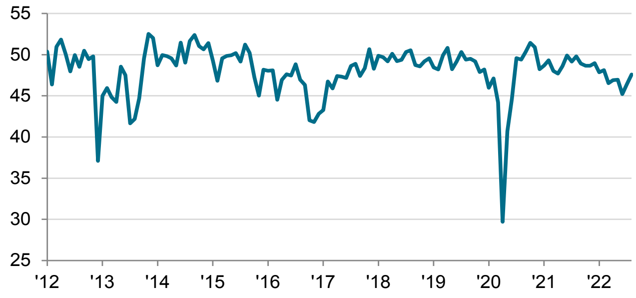
Weakest drop in output for six months

Input price inflation slows sharply

Outlook worsens to second-lowest ever

S&P Global Egypt PMI

sa, >50 = improvement since previous month



Source: S&P Global.
Data were collected 12-22 August 2022.

The Egypt non-oil economy registered a softer decline in operating conditions in August, as easing inflationary pressures helped to alleviate spending constraints at clients and lead to slower decreases in output and new orders. That said, the outlook for future activity remained subdued.

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 – climbed from 46.4 in July to 47.6 in August, its highest reading since February, and indicating a softer, but still solid deterioration in business conditions.

The rise in the headline index was mainly driven by the Output and New Orders indices, which both ticked higher for the second consecutive month from June's recent lows. That said, the readings were still indicative of marked drops in business activity and sales, as firms continued to see a worsening of client demand in the face of rapid inflation. The drop in new business was widespread, with manufacturing, services, construction and wholesale & retail all recording a decline.

In addition, there were reports that a lack of raw material supply had constrained total output in August, exacerbated by recent import regulations and the war in Ukraine. On the plus side, input lead times lengthened only marginally, and at the softest rate since the start of 2022.

With global economic conditions showing signs of weakness, Egyptian businesses saw a fresh decrease in new export orders in August. This followed the first upturn in foreign demand for six months in July.

Meanwhile, the quantity of inputs purchased by non-oil companies fell for the eighth successive month, as firms

Comment

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

"August saw the key PMI metrics move in the right direction with the headline index up for the second month running, while price gauges continued to fall from their recent peaks. The latest rise in input costs was much softer than in July, supporting a slower uplift in output prices that should ease the burden on consumers over the coming months.

"Subsequently, new orders decreased at the softest rate since April, leading to a slower, but still sharp fall in output levels. Furthermore, employment rose at the quickest rate since October 2019, as some firms looked to increase their capacity and support backlog depletion.

"However, headwinds on the global economy meant that businesses showed little optimism towards future activity, as expectations slipped to the second-lowest on record. Monetary policy uncertainty, a weakening exchange rate, and the continued war in Ukraine mean there are still high levels of risk for the economy over the rest of 2022."

continued to retract their spending in light of weaker sales and high input costs. Stocks of purchases decreased but only mildly, helped by a reduced drawdown of holdings as new order volumes fell.

By contrast, staff numbers at non-oil businesses increased at the strongest rate since October 2019, as firms began to offset job cuts made in the first half of the year. With staffing capacity up, businesses were able to stabilise their work-in-hand following two successive increases in backlogs.

On the price front, August survey data signalled a broad softening of input cost pressures in Egypt, with inflation easing sharply for the second month running. Higher purchase prices were again widely reported, linked to rising fuel and raw material prices, in part due to a further deterioration in the Egyptian pound against the US dollar. More positively, wage costs decreased for the first time in five months.

In turn, prices charged by Egyptian businesses rose at a much slower rate in August. That said, the uptick was still solid and faster than the series trend.

Looking ahead, Egyptian non-oil firms remained relatively downbeat about future output levels in August, with just 9% of respondents forecasting growth over the coming year. Despite hopes of a recovery in demand, sentiment was dampened by weak market conditions, high inflation and sustained supply problems. The overall degree of positively was the second-lowest on record, higher than only March's nadir.

PMI Output Charges Index

sa, >50 = inflation 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.