News Release

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S&P Global Egypt PMI™

Slump in business conditions continues in March

Key findings

Output and new orders fall sharply

Business confidence remains weak despite picking up

Selling price inflation eases, but cost pressures remain steep

The Egyptian non-oil private sector continued to record sharp contractions in activity and new orders in March, latest PMI™ survey data showed, as inflation and supply constraints drove sustained demand weakness. At the same time, exchange rate volatility added to sharp increases in costs and charges, while the outlook for future output remained among the weakest on record.

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 – fell slightly from 46.9 in February to 46.7 in March, posting below the 50.0 neutral threshold to indicate a deterioration in the sector's health.

Steep inflationary pressures and a drop in client demand continued to negatively impact non-oil businesses, chiefly through a sharp reduction in new orders. The rate of decline picked up slightly from the previous survey period, although this was slightly offset by a softer reduction in export sales.

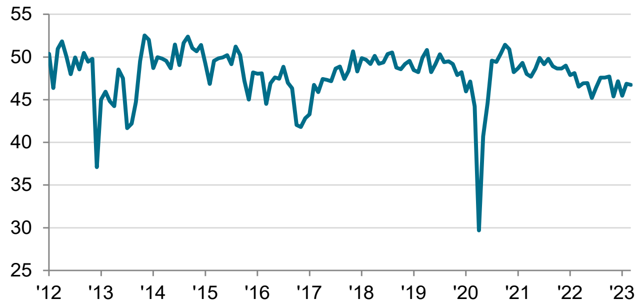
Output levels fell at a marked rate across the non-oil private sector during March, in part due to ongoing difficulties with accessing key inputs due to import controls and currency restrictions. That said, the rate of contraction in output eased slightly and was the softest for five months.

On a sector basis, firms in the manufacturing, construction and wholesale & retail categories experienced further sharp drops in output and new orders in March, but there was positive movement in the services economy. Here, activity rose for the first time since August 2021 amid a renewed increase in sales.

Nonetheless, the broadly negative picture for the non-oil private sector meant that firms continued to show little

S&P Global Egypt PMI

sa, >50 = improvement since previous month



Source: S&P Global.

Data were collected 10-23 March 2023.

Comment

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

"The Egypt PMI continued to signal multiple headwinds on the private sector economy in March, rounding off a bleak first quarter of 2023, as demand remained crippled by high inflation, a weakening currency and import controls. At 46.7, the headline PMI signalled a further solid deterioration in the performance of non-oil companies, driven by steep falls in activity and new business volumes. Inventories and employment levels also decreased, with purchasing once again impacted by customs restrictions.

"The sharp rise in inflation to 31.9% in February - the highest in five-and-a-half years - illustrates the daunting cost-of-living crisis affecting the country at present, in large part due to a marked drop in the value of the Egyptian pound over recent months. While the latest PMI data suggested a sharp rise in business costs, the rate of inflation was much softer than at the start of the year. Furthermore, the pace of output charge inflation slowed to a five-month low, as companies pulled back on price hikes in a bid to stimulate demand. In addition to a slightly stabler currency market, the data provides some hope that the peak of inflation could be near."

PMI™ by S&P Global

optimism for the future. Despite picking up to a three-month high, the year-ahead outlook for activity was still among the weakest recorded since the series began in early-2012.

Amid this, companies reduced their headcounts for the fourth successive month, often leaving positions vacant due to a lack of new work. Evidence of spare capacity also appeared, as volumes of backlogged work fell to the greatest extent since April 2022.

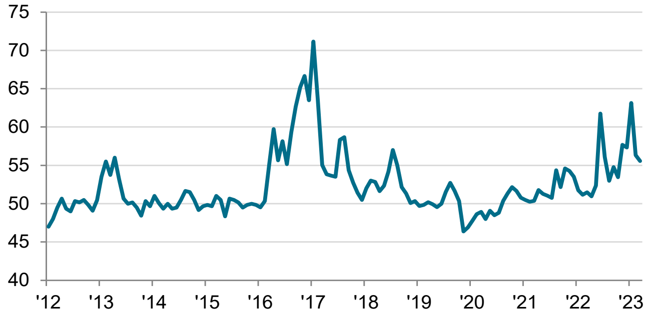
Purchasing activity dropped sharply during March, although the decrease was the softest seen since last October. Businesses often cited that weak client demand and import controls contributed to lower buying activity. Restrictions at customs led to a fifth consecutive monthly decline in vendor performance. With purchasing down, some firms withdrew from inventories to fulfil new orders, resulting in a modest contraction in input stocks.

Inflationary pressures in the non-oil economy remained steep in March, with nearly a third of respondents seeing costs rise since February. Firms mainly linked the uptick to a depreciation in the Egyptian pound against the US dollar, which added to import prices. Staff costs rose, though by the least extent in three months.

While output charges increased as some companies passed higher costs onto customers, the pace of inflation eased to a five-month low in March and was much weaker than overall input cost pressures. Some respondents mentioned keeping prices stable or even reducing them in an effort to boost demand.

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.

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