

# News Release

Embargoed until 0615 EET (0415 UTC) 5 April 2022

## S&P Global Egypt PMI™

### Egypt PMI drops to 21-month low in March

#### Key findings

Activity and new orders decline sharply as demand stutters

Ukraine war and pound devaluation drive input prices higher

Business confidence falls to record low amid inflation fears

The Egyptian non-oil economy suffered a strong decline in business conditions in March, as an amplifying of inflationary pressures on energy, food and raw materials amid the Russia-Ukraine war led to sharp decreases in output and new orders. At the same time, firms reduced their purchases of inputs at the quickest pace in nearly two years, while employment numbers fell for the fifth month running.

Despite cost burdens increasing, suppressed demand levels meant that only a small proportion of firms raised their selling charges. Furthermore, concerns around inflation and demand over the coming year resulted in the weakest outlook for future activity in the series history.

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 46.5 in March, down from 48.1 in February. The latest reading indicated a solid decline in the health of the non-oil economy that was the sharpest recorded since June 2020.

Data from sub-components of the PMI showed that non-oil Egyptian firms suffered the worst declines in output, new orders and stocks of purchases since the first wave of the COVID-19 pandemic during March. Panellists indicated that this often stemmed from a fall in client demand which in turn was driven by another common factor - prices.

Inflationary pressures escalated in a number of key areas, including energy, food, fuel and raw materials, as firms found that the Russia-Ukraine war amplified concerns of global supply. Some companies added that import costs had risen due to a devaluation of the Egyptian pound. Purchase prices subsequently rose at a sharp pace that was much quicker than February's seven month low, although remained below

S&P Global Egypt PMI

sa, >50 = improvement since previous month



Source: S&P Global.  
Data were collected 11-23 March 2022.

#### Comment

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

"The non-oil economy was clearly hit by the effects of the Russia-Ukraine war during March, with firms often seeing clients pull new orders back amid increased prices and economic uncertainty. Output levels followed suit with the sharpest fall since June 2020 during the first global COVID-19 lockdown.

"The downturn was clearest to see in industrial sectors such as manufacturing and construction, where businesses and clients were more greatly exposed to energy and material price rises due to the war. Wholesale & retail firms were also hit by a sharp increase in food prices, especially items where Egypt is particularly exposed to import disruption - for instance, Egypt is the largest global importer of wheat from both Russia and Ukraine.

"While the 14% devaluation of the Egyptian pound on 21 March may provide some short term support for the economy, it will also likely accelerate cost pressures. Some firms have already seen a rise in import prices which could constrain output and force a greater increase in selling charges."

PMI™

by S&P Global

recent highs as supply chain worries linked to the pandemic continued to ease.

Egyptian firms reacted to higher prices and lower demand by severely reducing their purchasing activity at the end of the first quarter. More than a third of respondents reported a decrease in input buying, marking the sharpest decline in overall purchases for almost two years. Consequently, inventories fell to the greatest extent since May 2020.

In contrast, price adjustments were much more limited as the latest data pointed to only a modest uplift in selling charges. While 23% of firms saw overall input costs tick higher, only 6% offset this by raising client fees, illustrating that weak sales had partly stifled efforts to protect profit margins.

Worries over inflation and the Russia-Ukraine war meant that hopes of future output growth were greatly depressed in March. In fact, the outlook for activity in the year ahead fell to the lowest level since this series began in April 2012.

With sales falling and confidence low, Egyptian businesses cut job numbers for the fifth month in a row during March. The rate of contraction was the quickest since last November, but only modest. Despite this, as well as an overall lengthening of delivery times, firms were able to reduce their backlogs of work for a second straight month.

### 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](mailto: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](https://ihsmarkit.com/products/pmi.html).