News Release

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S&P Global Egypt PMI™

PMI rises in July as inflation metrics ease

Key findings

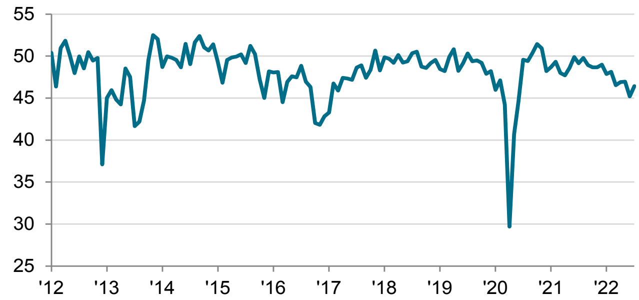
Output and new orders fall at slower rates

Employment levels stabilise

Input and output price inflation soften markedly

S&P Global Egypt PMI

sa, >50 = improvement since previous month



Source: S&P Global.
Data were collected 12-21 July 2022.

Businesses in the Egyptian non-oil economy saw a solid deterioration in economic performance in July, according to latest PMI results, as output and new orders decreased again, albeit at slower rates compared to June. Companies again highlighted a sharp fall in demand linked to inflationary pressures, although there were signs that these had begun to soften following June's two-year 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 – recorded 46.4 in July, up from a two-year low of 45.2 in June. The rise in the index was largest seen in just over a year, although it remained well below the 50.0 growth threshold, thus signalling a deterioration in operating conditions.

Egyptian non-oil businesses continued to register a decline in new order intakes at the start of the third quarter. The rate of contraction eased since June but was still sharp as several panellists found that rising prices led to a drop in client spending. The latest decrease was seen across all four sectors covered by the survey, namely manufacturing, construction, wholesale & retail and services.

Consequently, businesses reduced their output levels further, with the downturn softening slightly from the previous month but remaining steep overall. In addition to weakening demand, survey respondents continued to highlight that raw material shortages had constrained their capacity. Reflecting this, backlogs of work rose slightly for the second month running.

While price pressures inflicted further problems for the non-oil economy, there were signs that inflation had begun to soften. Fewer companies (29%) reported an increase in their

Comment

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

"The Egypt PMI recorded a modest uptick in July, after hitting a two-year low in June, to signal a softer decline in the health of the non-oil economy. While output continued to fall in response to weakening new orders, the rate of contraction slowed for the first time since April.

"Good news was also seen in inflation metrics, which dropped sharply at the start of the third quarter as fewer companies saw a rise in input costs. Higher fuel and raw material prices were still often mentioned, although this was partly tempered as lower commodity prices in recent weeks began to alleviate pressure on supplier charges.

"Nevertheless, the demand picture still appears challenging, leading businesses to give a relatively downbeat outlook for the coming year. Output forecasts in July were down to one of the weakest recorded in the series history."

PMI™ by S&P Global

input costs compared to June, when the pace of inflation hit a near four-year high. Where costs rose, firms found that ongoing supply chain challenges linked to the pandemic and the Russia-Ukraine war, as well as a stronger US dollar, led to rising prices for raw materials, fuel and foodstuff.

In response, non-oil firms raised their selling prices at a much slower pace. That said, the rate of charge inflation was still the second-quickest since July 2018.

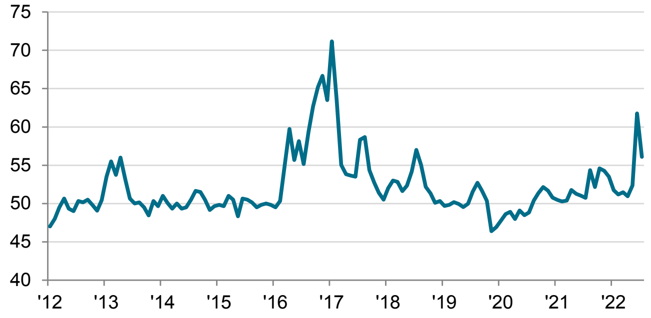
Meanwhile, non-oil companies indicated that employment levels had stabilised in July, thus ending a prior eight-month run of job losses. While lower new orders continued to drive cuts at some businesses, others reported additional hires due to an increase in staff availability.

Purchasing activity continued to fall, however, dropping for the seventh month in succession as weaker demand and higher prices constrained spending plans. Some panellists added that raw material shortages meant that they were unable to purchase the inputs they required. Longer delivery times were also registered, though only a modest increase.

Finally, business expectations for the next 12 months remained largely subdued in July. After rising to a five-month high in June, sentiment fell sharply and was one of the weakest on record. Only 13% of companies predicted growth of output over the coming year.

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.