News Release

Embargoed until 0615 EET (0415 UTC) 5 March 2023

S&P Global Egypt PMI™

Business confidence weakens as downturn in activity remains steep

Key findings

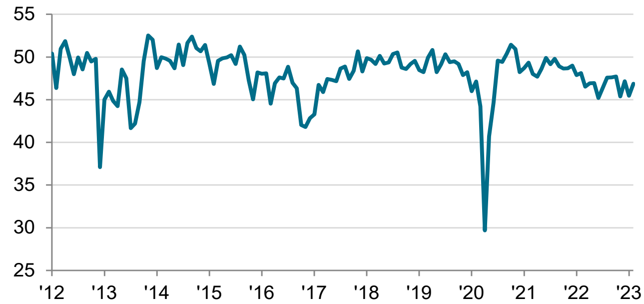
Output and new orders fall sharply, though rates ease

Business sentiment close to record low

Cost inflation softens, but remains sharp

S&P Global Egypt PMI

sa, >50 = improvement since previous month



Source: S&P Global.
Data were collected 10-20 February 2023.

Egypt's non-oil economy remained in a steep downturn in February, latest PMI™ survey data showed, as demand continued to hit by high inflation and supply chain pressures. As a result, job numbers fell at the fastest rate in nine months and business confidence was at a near-record low. On the plus side, inflationary pressures softened from January's recent highs.

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 46.9 in February to remain firmly beneath the 50.0 neutral mark. That said, the index was up from 45.5 in January to signal a softer downturn.

Output levels continued to contract at a sharp pace midway through the first quarter of the year, as firms once again reported weakening demand conditions amid surging prices. The rate of decline eased from the previous month but remained sharp.

Similarly, new business intakes fell at a slower, but still marked pace in February, with the downturn often reflecting a reduction in client demand due to high inflation. Export sales also disappointed, falling for the second consecutive month and to a sharp degree, as firms signalled that a weak foreign economic climate had suppressed sales.

Subsequently, businesses were even more subdued in their assessment of the coming 12 months, as overall expectations fell since the start of the year and were just above the record low seen in October last year. Notably, just 5% of survey respondents forecasted a rise in output, amid suggestions that current headwinds, including weak demand, severe inflation, import controls and foreign currency shortfalls, are likely to continue throughout 2023.

Comment

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

"The latest PMI data for Egypt continued to signal a troubled market in February, but with some relief after a rocky start to the year. After hitting a four-and-a-half-year high in January, the rate of purchase price inflation softened to the lowest since October, as firms suffered to a lesser extent from weaker exchange rates and rising import costs. Similarly, output charge inflation was the softest for four months, after posting a near six-year high in the previous month. The findings provide some hope that inflation may start to soften after reaching 25.8% in January.

"Similarly, the downturns in output and new orders were not as severe in February compared to the first month of the year, as higher prices led to a solid, but softer fall in new business intakes. Nonetheless, the sustained fall in demand led businesses to cut employment levels at the fastest rate in nine months, while input buying also decreased sharply.

"Efforts to streamline capacity coincided with another bleak assessment of future output, with expectations falling for the second month running and posting only just above the record low seen in October last year. Continued demand weakness, persistent inflation and ongoing import controls to restrict FX flows mean that companies are likely to face a prolonged downturn in 2023. While initial signs of a pick-up in the global economic landscape may help to bring some stabilisation, S&P Global Market Intelligence believes that FX markets are not yet at their equilibrium state and that inflation will likely remain in double-digits this year."

Amid the bleak outlook, non-oil companies opted to reduce their purchasing activity sharply in February. That said, the rate of contraction was the softest recorded in four months. Companies mentioned that high material prices led them to cut buying and utilise current stocks, contributing to a decrease in input inventories for the fourth month running.

Meanwhile, average lead times faced by non-oil firms continued to lengthen, as respondents indicated further stress on supply chains due to import controls. Notably, the decline in vendor performance was the strongest since June 2022, though only modest overall.

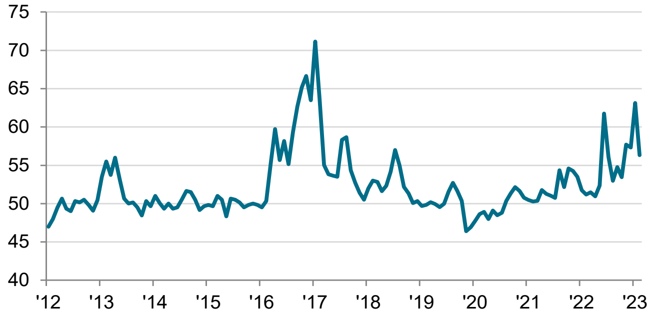
On the flip side, import controls had a reduced impact on backlogs of work in February, which stabilised following an eight-month expansion. That said, this stabilisation was partly due to falling new orders, leading firms to make additional cuts to their workforces. Indeed, employment levels dropped for the third month running and at the quickest pace since May 2022.

Elsewhere, non-oil firms in Egypt saw a notable softening of price pressures in February, following multi-year highs for two of the survey's price metrics. After hitting its highest level in four-and-a-half years in January, purchase price inflation dropped sharply to the weakest since last October. That said, the uplift in purchasing costs remained sharp overall, as several panellists commented on rising material prices due to a further depreciation in the exchange rate with the US dollar.

Output price inflation meanwhile retreated to its lowest in four months, after reaching a near six-year high at the start of the year. Then again, the rate of increase remained much faster than the series trend.

PMI Output Charges Index

sa, >50 = inflation since previous month



Source: S&P Global.

Contact

David Owen
Senior Economist
S&P Global Market Intelligence
T: +44 1491 461 002
david.owen@spglobal.com

Sabrina Mayeen
Corporate Communications
S&P Global Market Intelligence
T: +44 7967 447 030
sabrina.mayeen@spglobal.com

If you prefer not to receive news releases from S&P Global, please email katherine.smith@spglobal.com. To read our privacy policy, click here.

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.

About S&P Global

S&P Global (NYSE: SPGI) S&P Global provides essential intelligence. We enable governments, businesses and individuals with the right data, expertise and connected technology so that they can make decisions with conviction. From helping our customers assess new investments to guiding them through ESG and energy transition across supply chains, we unlock new opportunities, solve challenges and accelerate progress for the world.

We are widely sought after by many of the world's leading organizations to provide credit ratings, benchmarks, analytics and workflow solutions in the global capital, commodity and automotive markets. With every one of our offerings, we help the world's leading organizations plan for tomorrow, today. www.spglobal.com.

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.

PMI™

by S&P Global