

# News Release

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## S&P Global Egypt PMI®

### Demand downturn quickens in January as inflationary pressures escalate

#### Key findings

Fastest drop in new orders since May 2023

Input and output prices rise at strongest rates in 12 months

Business expectations weaken

Egyptian non-oil companies recorded a further decline in operating conditions at the start of 2024, according to latest PMI® survey data, as sales volumes continued to fall amid rising price pressures. Notably, the rate of selling price inflation accelerated to the fastest in a year as firms looked to pass on greater input prices. This subsequently drove a weakening of order books and contractions in output and purchasing. Alongside this, business expectations worsened and were among the lowest observed in the survey's 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 below the 50.0 neutral mark at 48.1 in January. This was down from 48.5 in December and signalled a modest deterioration in the health of the sector.

The ongoing decline coincided with solid contractions in output and new orders during January, amid evidence that high prices had continued to weaken client demand. The fall in new work intakes was the sharpest recorded in eight months, with weakness recorded across each of the broad sectors monitored by the survey. As well as price pressures, some firms noted that increased geopolitical conflict had a negative impact on tourism activity.

Meanwhile, the latest data signalled a pick-up in inflationary pressures at the beginning of the year. Both input costs and output charges rose at their sharpest rates in 12 months, driven by a marked and accelerated increase in purchasing costs. In turn, survey comments showed that these were often linked to ongoing import problems and currency weakness, leading to higher prices for items such as wood, iron and fuel. Consequently, businesses looked to pass on a greater share of cost burdens to their clients, leading to a much sharper increase in selling prices compared to

S&P Global Egypt PMI

sa, >50 = improvement since previous month



Source: S&P Global PMI.

Data were collected 11-23 January 2024.

#### Comment

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

*"The Egypt PMI started the year by moving in the wrong direction, slipping to a three-month low of 48.1 in January. The drop was partly due to a faster decline in order book volumes, which in turn are still being impacted by inflationary pressures. Input cost inflation picked up to a 12-month high, driving a sharp and accelerated increase in output prices.*

*"In addition, some firms signalled that the Israel-Gaza conflict and associated geopolitical tensions had a negative impact on tourism activity, which could lead to further headwinds for the non-oil economy over the next few months. Reflecting this, firms were also less upbeat about future activity and kept employment numbers largely unchanged."*

PMI®

by S&P Global

December.

Egyptian non-oil businesses also reduced their purchasing activity in January, although this trend moved closer to stabilisation as firms showed further signs of keeping stock levels stable. Supply chains also showed additional signs of stability, as vendor lead times lengthened only slightly from December.

Similarly, employment numbers across the non-oil economy were broadly unchanged at the start of the year, following a slight uplift in the previous survey period. Reductions in staffing due to lower new orders were generally offset by the filling of vacancies. The stagnation in the labour market coincided with another month of muted capacity pressures as backlogs of work were kept under control. Nevertheless, staff costs continued to grow as panellists reported further pressure from the rising cost of living.

The slump in new business led to increased concerns among survey panellists that weak economic conditions will continue in 2024. Business expectations for the next 12 months worsened as a result, dropping to one of the lowest levels in the series history. Notably, all four monitored sectors recorded only mild optimism towards future business activity.

### PMI Output Charges Index

sa, >50 = inflation since previous month



Source: S&P Global PMI.

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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@spglobal.com](mailto:economics@spglobal.com).

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