

News Release

Embargoed until 0715 EEST (0415 UTC) 8 May 2024

S&P Global Egypt PMI®

April sees further marked drop in business activity alongside notable cooling of inflationary pressures

Key findings

Decline in business activity eases only slightly

Input costs rise at slowest rate for over three years

Business expectations improve to six-month high

April PMI® survey data showed a continuation of the downturn in Egypt's non-oil private sector, alongside a considerable easing of inflationary pressures in the country. Business activity once again fell markedly as firms commented on difficult market conditions, with the decline leading to a renewed drop in employment. Improved currency availability, linked to recent policy measures, meanwhile contributed to a notable cooling in the rate of cost inflation to the lowest in over three years. Average prices charged in turn rose only marginally during the month.

The headline seasonally adjusted S&P Global Egypt Purchasing Managers' Index™ (PMI®) is a composite gauge designed to give a single-figure snapshot of operating conditions in the non-oil private sector economy. It is calculated from measures of new orders, output, employment, supplier delivery times and stocks of purchases.

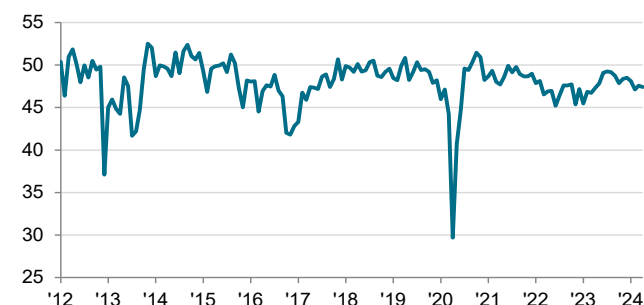
The headline PMI registered in sub-50 contraction territory for a forty-first straight month in April, coming in at 47.4. This was down from March's 47.6 and the second-lowest reading in the past year.

Business activity posted a further marked fall at the start of the second quarter. The rate of contraction eased slightly for the second month running, but it nevertheless remained quicker than the average seen over the current sequence of decline stretching back to September 2021. It was an identical picture for new orders, which panellists indicated were constrained by weak demand conditions, high prices and volatile exchange rates. New exports orders were meanwhile broadly unchanged, after having risen in March for the first time in over a year.

April meanwhile saw a renewed decline in non-oil private sector employment, following a slight rise in March. The decrease was the third in the past four months, but only marginal amid varying hiring trends at the sub-sector level.

S&P Global Egypt PMI

sa, >50 = improvement since previous month



Source: S&P Global PMI.

Data were collected 04-22 April 2024.

Comment

Phil Smith, Economics Associate Director, at S&P Global Market Intelligence, said:

"Business conditions remain challenging across Egypt's non-private sector. April's PMI reading of 47.4 is a touch down on March's figure and even further below its long-run average, reflecting a renewed fall in employment as well as sustained downturns in output and new orders.

"The past couple of months have seen some major policy shifts, and while we haven't yet seen much of an effect on the activity side of things, there has been a material impact on price pressures facing firms. The exchange rate liberalisation has led to a drop in the formal rate of the pound against the US dollar, but with firms reporting greater availability of foreign currency, we've actually seen a slowdown in purchase cost increases as local FOREX supply-demand imbalances unwind. In turn, average prices charged for goods and services rose at a much slower rate in April, which could feed through to lower headline inflation in the coming months.

"Business confidence has perked up. Even so, in the context of historical data, very few firms are anticipating growth in the coming year, in a sign of continued caution towards the outlook."

PMI®

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Firms' willingness to part with staff was consistent with signs of a lack of pressure on business capacity, as evidenced by broadly stable volumes of outstanding business.

Firms also reduced their purchasing activity in April, in line with the trend seen every month since the start of 2022. Stocks of purchases were meanwhile raised, albeit only marginally, amid some delays in the delivery of purchases. That said, the degree to which supply was disrupted eased for the second month running and was only marginal overall.

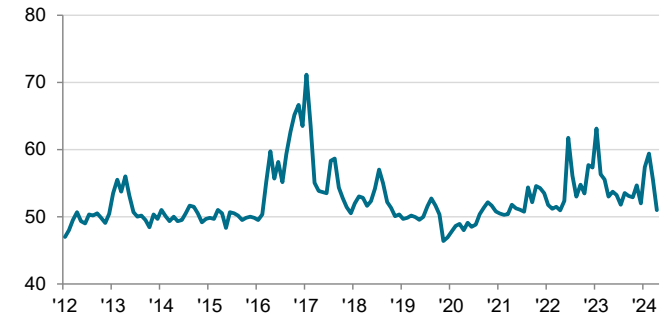
Turning to prices, April's survey showed a considerable easing of inflationary pressures. Anecdotal evidence highlighted the influence of recent policy measures, which had among the things improved the availability of foreign currency. Driven by a slowdown in purchase price rises, the overall rate of input cost inflation plummeted to its lowest since March 2021. Firms raised staff pay due to cost of living pressures, but they did so at the slowest rate for three months.

With cost increases moderating and demand remaining constrained, firms showed greater restraint in their own price setting in April. Output charge inflation slowed to a marginal rate that was the weakest for two years.

Lastly, latest data showed greater confidence among non-oil firms towards the year-ahead outlook for activity. Sentiment was at a six-month high, reflecting hopes of exchange rate stability, lower prices and better material availability. That said, the degree of optimism remained low by historical standards.

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.

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