

News Release

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S&P Global Egypt PMI®

Egypt PMI jumps to 33-month high as demand and inflation trends improve

Key findings

Output and new orders close to stabilising

Input cost inflation slows to 38-month low

Business confidence improves again

The Egypt PMI® rose to its highest level in nearly three years in May and was close to reaching growth territory, as a marked cooling of inflationary pressures since the early part of 2024 spurred a near-stabilisation in demand conditions. Business activity dropped at the slowest rate since last July, while firms took on more staff amid growing confidence that sales will begin to improve.

May data also highlighted further positive news on inflation, as input costs faced by businesses rose at the weakest pace since March 2021. Aided by lower market exchange rates as currency availability increased, purchase price inflation slid to its lowest level in four years, though there was a concurrent pick-up in wage cost burdens. The improvement meant that average prices charged by companies rose only slightly for the second month running.

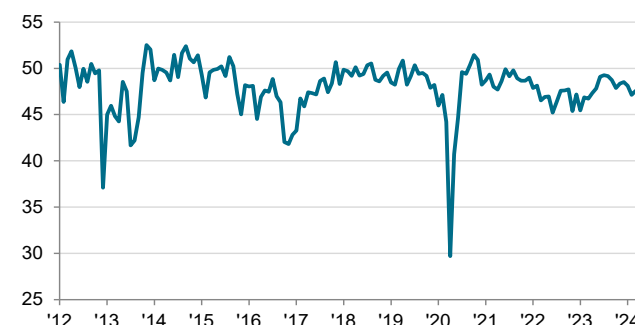
The headline seasonally adjusted S&P Global Egypt Purchasing Managers' Index™ (PMI®) is a composite gauge designed to give a single-figure snapshot of operating conditions in the non-oil private sector economy. It is calculated from measures of new orders, output, employment, supplier delivery times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

At 49.6 in May, the headline PMI rose from 47.4 in April to reach its highest level since August 2021. Whilst still below the 50.0 no-change mark, the index signalled only a marginal decline in operating conditions.

The strong move towards stability was widely linked by firms to a softening of inflationary pressures. After policy measures aimed at improving currency availability were announced in March, firms widely commented on greater price stability and stronger confidence over the latest survey period. Subsequently, new business levels fell at the slowest rate since September 2021, while new export orders increased for the second time in three months amid rising foreign demand.

S&P Global Egypt PMI

sa, >50 = improvement since previous month



Source: S&P Global PMI.

Data were collected 10-22 May 2024.

Comment

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

"May's PMI reading of 49.6 was the first indication that the rapid cooling of price pressures is starting to boost the Egyptian non-oil private sector. The output and new orders metrics closed most of their gaps to the 50.0 growth threshold, with the services and construction sectors even seeing a turnaround in activity as comments suggest that greater price stability fuelled client spending. That said, ongoing downturns in industries such as manufacturing and wholesale & retail show that the recovery is still lopsided and may take more time to spread across the rest of the economy."

"With input cost inflation easing further, the data nonetheless signals a promising outlook for Egyptian businesses. Purchase costs rose at their slowest rate in four years, leading to only a mild increase in selling prices, which should give customers greater confidence to spend. Business optimism also ticked higher and job levels expanded, showing that firms are likewise projecting an improvement in economic conditions."

PMI®

by S&P Global

Business activity fell at only a moderate pace during May, reflecting a mixed picture across the sectors covered by the survey. Manufacturing and wholesale & retail posted further declines, contrasting with uplifts across services and construction.

Confidence towards the 12-month outlook ticked higher in May, as firms' hopes that economic conditions will strengthen grew. Improved prospects encouraged companies to increase their staffing numbers for the second time in three months, while purchases of inputs declined at the slowest rate since February 2022.

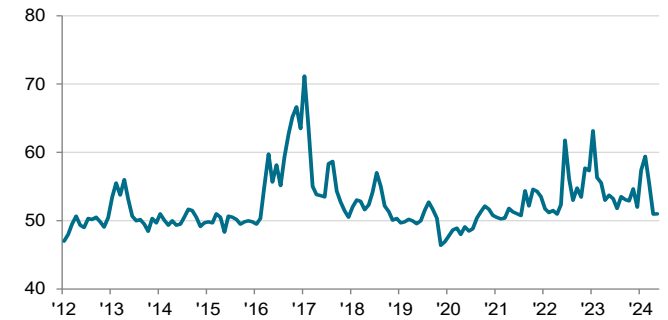
Input cost inflation across the non-oil economy dropped for the third consecutive month in May, reflecting a sustained positive impact from improved currency availability. Many businesses specifically linked this to a lower US dollar exchange rate in local markets, which led to falling prices for imported goods. Notably, the rate of purchase price inflation slid to its lowest level in four years, with the manufacturing and construction sectors even recording outright decreases in costs.

On the other hand, companies faced a relatively strong level of wage inflation in May. Salary costs rose at one of the fastest rates in three-and-a-half years, which respondents typically linked to staff pay rises amid cost-of-living pressures.

Nevertheless, the general slowing of cost burden rises paved the way for another mild increase in average prices charged in May. The rate of charge inflation was unchanged from April's two-year low and marginal.

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 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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