News Release

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S&P Global Egypt PMI®

Egypt PMI remains close to growth territory

Key findings

Sales volumes tick down after uplift in June Output contracts, but employment rises Price pressures steepen to four-month high

The Egyptian non-oil economy held close to the line between growth and contraction in July, with output and new business declining at marginal rates. The drop in sales prompted firms to reduce their purchases, following a first uplift in demand and buying activity since 2021 in June. Nevertheless, employment grew in July, while output expectations also recovered slightly. Price pressures remained low compared to the past couple of years but showed tentative signs of intensifying, as input costs rose at their steepest pace since March.

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 49.7, the headline PMI was once again below, but close to, the critical 50.0 threshold in July, signalling a slight deterioration in business conditions. Nevertheless, the reading was the second-highest in almost three years, following a recent peak of 49.9 in June.

Businesses reported a minor yet persistent contraction in activity levels at the start of the third quarter. The dip in output was mainly attributed to weakening sales, with some firms also commenting on rising price pressures. Although the pace of decline accelerated slightly from June, it was the second-weakest in nearly three years.

New orders experienced a slight downturn after a brief period of growth in June. Approximately 9% of surveyed firms reported a decline in sales, whereas 7% noted an expansion. Panellists pointed to fragile domestic demand conditions that are nonetheless approaching recovery. Conversely, new export orders saw an increase for the third consecutive month, driven by improved demand from foreign markets.





Source: S&P Global PMI. Data were collected 11-23 July 2024.

Comment

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

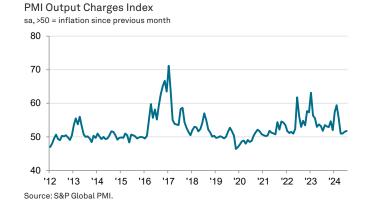
"The Egyptian non-oil economy still appears to be on the cusp of expansion, with the July PMI registering just shy of the 50.0 mark. While some firms pointed to a turning of the tide in economic conditions, particularly through rising export demand, market conditions were stated as weak elsewhere. As such, sales dipped in July, suggesting that the slight increase in June was an isolated foray into growth for now.

"Inflationary pressures on firms largely followed the trend seen in the second quarter, which has been subdued compared to the heightened rates in recent years. However, a slight pick-up in input cost inflation in July could make some firms concerned about the risk of prices picking up again and constraining business activity." Employment saw a slight uptick, reversing a fractional decline in June, as firms hoped that the dip in sales would be brief and that conditions will improve. Notably, the employment index has hovered around the neutral 50.0 mark throughout 2024, signalling that the labour market is more stable than last year.

With new orders losing a bit of momentum, there was some evidence of spare capacity in the non-oil economy in July. Some firms were able to address outstanding workloads, leading to a reduction in backlogs of work that was the fastest since March 2023, albeit only modest. At the same time, companies adjusted their input purchases in an effort to keep stock levels from rising, with the reduction being the strongest recorded in four months.

Input prices for Egyptian non-oil firms rose at an accelerated pace for the second consecutive month in July, reaching the highest inflation rate since March. This was largely due to an uplift in the cost of raw materials, with around 14% of businesses seeing purchase prices rise. That said, the overall rate of input price inflation remained softer than the broader trend of the past two years. This led to only a modest rise in selling prices, though the increase was the quickest since March.

Business expectations improved, with non-oil firms predicting an expansion in activity over the next 12 months. However, having risen from a record low in the previous survey period, optimism remained subdued compared to historical trends, with only 9% of firms expressing a positive outlook.



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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 comrable 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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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. <u>www.spglobal.com/marketintelligence/en/mi/products/pmi</u>