

News Release

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S&P Global Egypt PMI®

Business conditions weaken in September as rising price pressures hit sales

Key findings

PMI drops below neutral 50.0 mark

Fastest decline in new business since April

Cost inflation accelerates to six-month high

September survey data signalled a renewed decline in business conditions across the Egyptian non-oil private sector, as rising price pressures acted to dampen sales and slow business activity. Output and new orders both declined at the sharpest rates since April, following the first expansion in the former metric for three years in August.

Despite a concurrent drop in confidence towards the outlook, the survey data pointed to sustained improvements in purchases and employment levels in September. The expansion of business capacity signalled that some firms remained hopeful of a recovery in economic conditions.

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.

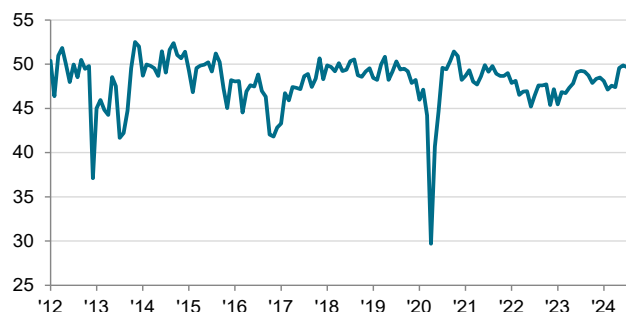
At 48.8 in September, the headline index was below the 50.0 no-change value to indicate a modest decline in business conditions at non-oil private sector companies. The reading was the weakest since April, following the first instance of growth in August (50.4) since November 2020.

Non-oil companies reported a solid reduction in their activity levels in the latest survey period, reversing the first uplift for three years in August. Survey panellists primarily linked the reduction to lower customer demand, as the pace of decline in new business accelerated to the quickest in five months. Challenging economic conditions and rising prices charged were often quoted, with demand weakness mainly originating from domestic markets, as new orders from abroad strengthened for a fifth straight month.

Higher output prices were largely a result of accelerating input cost inflation over the third quarter. Indeed, September saw overall input prices rise at the sharpest pace since

S&P Global Egypt PMI

sa, >50 = improvement since previous month



Source: S&P Global PMI.

Data were collected 12-20 September 2024.

Comment

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

"As cautioned as a possible risk last month, rising price pressures curbed the non-oil private sector's recovery in September. With input cost inflation at a six-month high and output charges rising accordingly, albeit to a softer degree, firms reported this having a dampening effect on customer orders, leading them to scale back business activity."

"The downturn meant that August's foray into growth territory (the PMI at 50.4) is still the only instance of improving business conditions since late 2020, with the PMI dropping to a five-month low of 48.8 in September. Moreover, a further solid increase in output charges suggests that price-related sales reductions may continue, despite evidence that firms are trying to limit the impact on customers."

"There were some positives from the latest data, however, namely that firms continued to increase their buying levels and staffing. The expansions suggest there is still some hope that the non-oil sector could bounce back in the fourth quarter."

PMI®

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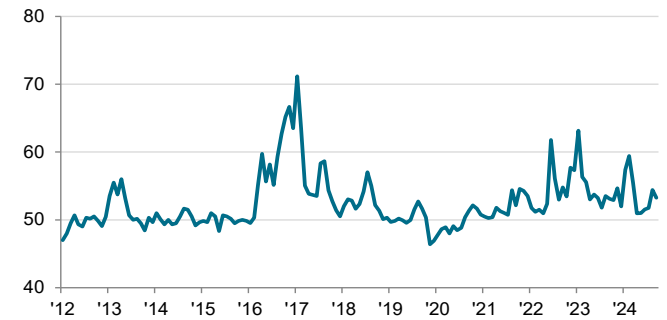
March, with companies often reporting increased raw material costs and currency weakness. Selling charges rose solidly in response, although the pace of increase was less marked than in August.

Meanwhile, the PMI data signalled additional expansions in the survey's capacity metrics. Employment numbers increased for the third month running, although the overall rise was marginal and centred on the construction and wholesale & retail sectors. Purchasing activity also grew in September, exhibiting the same rate of expansion as seen in August, with businesses reportedly aiming to build stocks in the hope that demand will recover. Inputs were however partly held up by a lengthening of delivery times.

Business confidence in the 12-month activity outlook remained positive in September, although the degree of optimism softened from August and was the lowest in three months.

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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