

News Release

Embargoed until 0715 EET (0515 UTC) 4 January 2024

S&P Global Egypt PMI®

Demand slump deepens across non-oil sector

Key findings

New orders decline at sharpest rate since May

Selling price inflation softens

Employment levels rise; output expectations improve

Businesses across Egypt's non-oil private sector saw conditions worsen again at the end of 2023, latest S&P Global PMI® data showed, as slowing demand led to sharper falls in activity and new orders. Survey evidence signalled that weakness in the pound and ongoing supply shortages played a major part in the downturn, as firms subsequently faced both rapid input cost inflation and a pullback in customer spending. Weaker demand trends encouraged companies to contain price hikes, resulting in only a modest increase in selling charges.

More positively, non-oil firms raised their staffing numbers for the first time in three months in December, and future output expectations staged a modest recovery from November's record low.

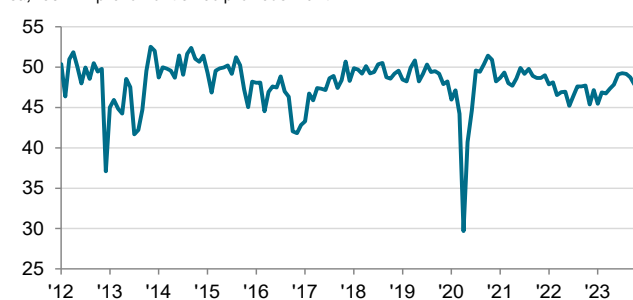
The headline seasonally adjusted S&P Global Egypt Purchasing Managers' Index™ (PMI®) – a composite gauge designed to give a single-figure snapshot of operating conditions in the non-oil private sector economy – posted 48.5 in December, marginally higher than the reading of 48.4 in November. The index signalled only a modest deterioration in the health of the non-oil sector, one that was softer than the average seen over the past year (47.9).

However, the latest data also indicated a worsening slump in new order volumes in December, which respondents often linked to currency problems and rapid inflation. New orders decreased at the sharpest rate since May, with firms in the wholesale & retail sector reporting a particularly steep decline.

Subsequently, non-oil companies cut their output levels further in December, and the rate of contraction quickened slightly from the previous month. Lower output requirements translated into another drop in input purchases, although the reduction was one of the slowest seen in the past two years.

S&P Global Egypt PMI

sa, >50 = improvement since previous month



Source: S&P Global PMI.

Data were collected 06-14 December 2023.

Comment

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

"The Egypt non-oil economy rounded off the year with the fastest drop in sales for seven months over December, suggesting that the drag on demand conditions from inflation has not lost any power. As highlighted by surveyed firms, inflationary pressures are still widely driven by the economic challenges originating from the Russia-Ukraine war, including a marked depreciation of the pound against the US dollar leading to an uplift in buying costs.

"Indeed, December data indicated that purchase prices are still rising steeply and keeping business under immense pressure. The latest official data showed headline inflation dipping to a six-month low of 34.6% in November, which was still incredibly high but nonetheless offered some positive signs.

"Increased costs meant that output charges in the non-oil economy also ticked higher, although the overall rise was modest and the slowest since July. The fact that firms were less keen to raise prices in December highlights how they still face a tricky balance between supporting demand or margins. Given the nature of the current inflation wave, relief on this conundrum is only likely to come from an easing of external political and financial headwinds."

PMI®

by S&P Global

© 2024 S&P Global

The main upwards influence on the headline PMI came from employment at the end of 2023, as survey data indicated the first uptick in staffing since September. Businesses took on more workers amid efforts to boost capacity, which was partly a reaction to increases in outstanding business in each of the prior five months. Consequently, higher employment helped firms to keep backlogs of work broadly stable in December.

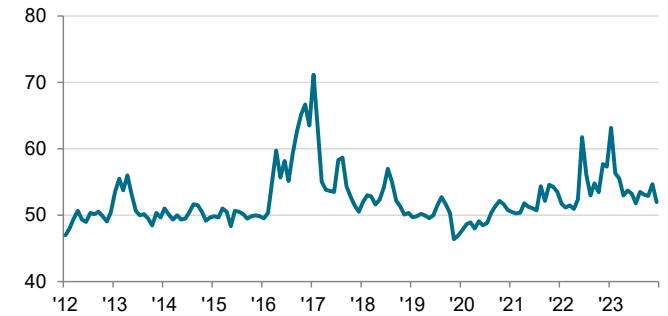
Renewed growth in labour markets came alongside an improvement in business expectations, as a greater proportion of firms hoped for a rise in activity and the easing of economic challenges. The degree of optimism was much higher than the series-record low in November, and the second-best in 2023.

On prices, the latest survey data signalled another marked rise in input costs across the non-oil economy in December, keeping balance sheets under pressure amid supply-side shortages and currency weakness. Rising expenses largely reflected increased purchase prices, although the rate of inflation edged down from November. Some relief also came from wages, which increased to the softest degree since July.

While output charges were lifted again in December, survey evidence showed that firms tried to limit hikes to support customer sales. Overall selling charges rose only modestly, with the rate of inflation easing back considerably from November's eight-month high.

PMI Output Charges Index

sa, >50 = inflation since previous month



Source: S&P Global PMI.

Contact

David Owen
Senior Economist
S&P Global Market Intelligence
T: +44 1491 461 002
david.owen@spglobal.com

Sabrina Mayeen
Corporate Communications
S&P Global Market Intelligence
T: +44 7967 447 030
sabrina.mayeen@spglobal.com

If you prefer not to receive news releases from S&P Global, please email katherine.smith@spglobal.com. To read our privacy policy, click [here](#).

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.

Disclaimer

The intellectual property rights to the data provided herein are owned by or licensed to S&P Global and/or its affiliates. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without S&P Global's prior consent. S&P Global shall not have any liability, duty or obligation for or relating to the content or information ("Data") contained herein, any errors, inaccuracies, omissions or delays in the Data, or for any actions taken in reliance thereon. In no event shall S&P Global be liable for any special, incidental, or consequential damages, arising out of the use of the Data. Purchasing Managers' Index™ and PMI® are either trade marks or registered trade marks of S&P Global Inc or licensed to S&P Global Inc and/or its affiliates.

This Content was published by S&P Global Market Intelligence and not by S&P Global Ratings, which is a separately managed division of S&P Global. Reproduction of any information, data or material, including ratings ("Content") in any form is prohibited except with the prior written permission of the relevant party. Such party, its affiliates and suppliers ("Content Providers") do not guarantee the accuracy, adequacy, completeness, timeliness or availability of any Content and are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, or for the results obtained from the use of such Content. In no event shall Content Providers be liable for any damages, costs, expenses, legal fees, or losses (including lost income or lost profit and opportunity costs) in connection with any use of the Content.