

News Release

Embargoed until 0615 EET (0415 UTC) 3 November 2022

S&P Global Egypt PMI™

Business sentiment hits record low as price pressures continue to dampen activity

Key findings

Expectations for future output down to lowest on record

New business declines further as inflation remains severe

Purchasing continues to fall markedly amid import controls

Business optimism among non-oil firms slid to its lowest in over a decade of survey data in October, according to the Egypt PMI, as only 4% of firms gave a positive outlook for the next 12 months. Rising prices, supply problems and weak global demand also served to drive new business and activity lower.

Meanwhile, 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 at 47.7 in October, from 47.6 in September, stretching the current sequence of deterioration to just under two years. Despite ticking up to the highest since February, the headline index was still below its long-run average and indicated another solid decline in operating conditions.

The fall was accompanied by a sustained decrease in new business inflows, which dropped solidly though to the least extent for eight months. Firms suffering a contraction in new orders often highlighted rapid inflationary pressures and a subsequent fall in client spending, including customers from foreign markets.

As a result, overall activity decreased at a sharp pace in October, with the downturn broadly spread across the whole of the non-oil economy. Sector data showed that output decreased in manufacturing, construction, wholesale & retail and services, with new business also falling in each category.

Anecdotal evidence indicated that ongoing controls on imports added to economic disruption in October. Introduced in the wake of the Russia-Ukraine war to limit losses of foreign currency reserves, import suspensions meant that a number of businesses again struggled to acquire relevant inputs. The shortfall contributed to the drop in output and

S&P Global Egypt PMI

sa, >50 = improvement since previous month



Source: S&P Global.
Data were collected 12-21 October 2022.

Comment

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

"Egyptian non-oil activity sunk lower in October according to the latest PMI data, as inflation continued to weigh on consumer sales and business spending. Despite the drop in sales easing to the weakest since February, firms signalled that the deteriorating local and global economic environment was likely to hurt the non-oil sector even further, with business optimism regarding the next 12 months sliding to its lowest in the series history.

"Egypt remains heavily impacted by the war in Ukraine, particularly in the tourism sector, as well as industries constricted by the government's import ban in place since March in a bid to conserve US dollar reserves. Several businesses reported that import restrictions had pushed material prices even higher, adding to upticks in energy and food commodity prices recorded since the war began. However, survey data suggests that only a proportion of cost rises are being passed through to consumers - only 5% of respondents raised their charges in October, compared to 24% that saw a concurrent rise in costs - suggesting that many firms are being forced to shoulder the burden of higher expenses as the demand outlook weakens."

PMI™

by S&P Global

another marked contraction in purchasing activity, although to a lesser extent than in September. Firms noted that higher prices for raw materials and a lack of new orders also weighed on buying activity.

Indeed, survey data has indicated severe cost pressures in recent months, reaching a near four-year high in June. Despite softening for the third time in four months, the rate of input cost inflation was still sharp and above the series trend in October, with nearly a quarter of respondents seeing prices rise over the month often due to higher purchasing costs. In turn, rising purchase prices were commonly linked to a lack of raw material availability and a further deterioration in the exchange rate against the US dollar which pushed input costs higher.

While output charges also increased, they did so at a much softer rate than seen for input costs, with just 5% of companies noting a rise. The weaker uptick suggested that softening demand had partly offset efforts to keep charges in line with expenses.

Elsewhere, survey data signalled a first improvement in suppliers' delivery times for exactly a year, in a sign that conditions were stabilising following the impact of the Russia-Ukraine war. The improvement supported a fresh uptick in stocks of purchases, although this was partly linked to lower output requirements.

With output expectations hitting a record low, non-oil firms reduced their staffing numbers for the first time since June, although only marginally, with some companies citing layoffs due to deteriorating sales.

PMI Output Charges Index

sa, >50 = inflation since previous month



Source: S&P Global.

Contact

David Owen
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@ihsmarkit.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 registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited 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.