

Tempered, But Cautious, Optimism

Mona Bedeir

Chief Economist

T +202 3300 5722

mbedeir@egy.primegroup.org

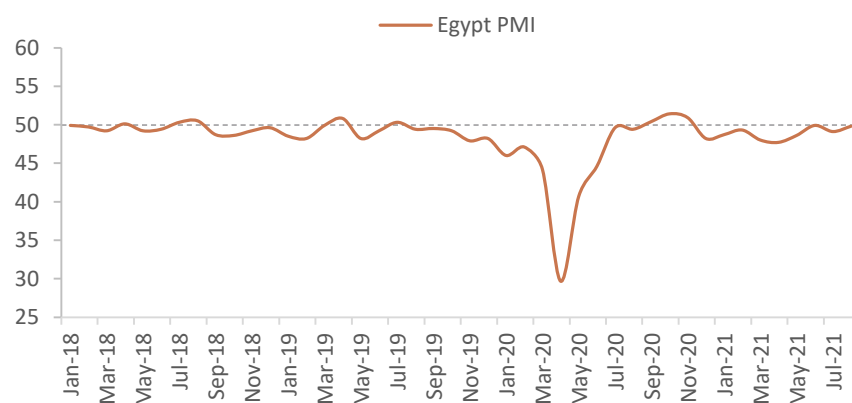
Beams of light illuminate through a cloudy sky: The PMI index bounced back up in August to near expansion territory to 49.8, after retreating in July to 49.1 from 49.9 in June, this year. The reading turned positive as the private sector activity sent out rebound signals despite the growing risks of the Delta variant spreading and the fourth wave of COVID-19 roaring, while the global PMI is evidently slow, especially in Asia and China. These risks continue to fuel domestic inflationary pressures through their impact on raw and input materials and shipping costs.

The new order index reversed its downtrend, driving output and employment indices to improve slightly: The new order index increased to expansion territory to 50.4 in August from 48.7 in July, notching up its second expansion reading in 2021, after its June reading. This expansion continued to boost the production capacity of companies, nudging the output and employment indices marginally up in August. The two consecutive months of increase in the employment index, after more than 20 months of contraction, could be seen as a trigger for a stronger demand outlook and the beginning of a more robust recovery in labor demand. This interpretation drove firms to start passing on the significant surge in input prices to final consumers, as reported by the PMI survey.

The risk of a supply bottleneck could hamper demand recovery: As the pandemic risk persists, the outlook of the private sector recovery is still clouded by the accumulated pressures of the surge in global commodity prices and supply bottlenecks. The recent global PMI readings in August indicate that the economic recovery in both advanced and EMs hit a speed limit by the effect of supply chain disruptions and its ripple effect on lengthening delivery lags and mounting input prices, facing a faster-than-expected rebound in demand, which eventually will lead to slowdown.

According to Egypt's PMI survey in August, the input price inflation picked up to its highest level in two years, and supplier delivery time rose to its highest reading on record. This accumulated inflationary pressure should keep the CBE's current monetary stance on hold at least for the end of 2021.

Chart 1: PMI index rise amid inflation worries



Source: PMI Markit.

Prime Securities

Shawkat El Maraghy

Managing Director

T +202 3300 5622

SElmaraghy@egy.primegroup.org

Sales

Mohamed Ezzat

Head of Sales & Branches

T +202 3300 5784

MEzzat@egy.primegroup.org

Mohamed Ashmawy

Head of Institutional Sales

T +202 3300 5612

MAshmawy@egy.primegroup.org

Amr Alaa CFTe

Team Head –Institutional Desk

T +202 3300 5609

AAlaa@egy.primegroup.org

Mohamed El Metwaly

Manager

T +202 3300 5610

MElmetwaly@egy.primegroup.org

Emad El Safoury

Manager

T +202 3300 5624

EElsafoury@egy.primegroup.org

Shawkat Raslan

Heliopolis Branch Manager

T +202 3300 8130

SRaslan@egy.primegroup.org

Nashwa Abuelatta

Alexandria Branch Manager

T +202 3300 5173

NAbuelatta@egy.primegroup.org

Research

Amr Hussein Elalfy CFA

Head of Research

T +202 3300 5724

AElalfy@egy.primegroup.org

Head Office

Prime Securities S.A.E.

Regulated by FRA License No. 179.
Member of the Egyptian Exchange.

2 Wadi Elnil St, Liberty Tower, 7th Fl.
Mohandessin, Giza, Egypt

T +202 3300 5700 / 770 / 650 / 649

F +202 3760 7543

Branches

Heliopolis

7 Elhegaz Square

Heliopolis, Cairo, Egypt

T +202 2777 0600

F +202 2777 0604

Alexandria

7 Albert Al Awal St.

Smouha, Alexandria, Egypt

T +202 3300 8170

F +202 3305 4622

Website

www.primeholdingco.com

Disclaimer

Information included in this report has no regard to specific investment objectives, financial situation, advices or particular needs of the report users whether they received them directly or through any research pool and other specialized websites. The report is published for information purposes only and is not to be construed as a solicitation or an offer to buy or sell any securities or related financial instruments. Unless specifically stated otherwise, all price information is only considered as indicator. No express or implied representation or guarantee is provided with respect to completeness, accuracy or reliability of information included in this report. Past performance is not necessarily an indication of future results. Fluctuation of foreign currency rates of exchange may adversely affect the value, price, or income of any products mentioned in this report. Information included in this report should not be regarded by report users as a substitute for the exercise of their own due diligence and analysis based on own assessment and judgment criteria. Any opinions given are subject to change without notice and may significantly differ or be contrary to opinions expressed by other Prime business areas as a result of using different assumptions and criteria. Prime Group is under no obligation responsible to update or keep current the information contained herein. Prime Group, its directors, officers, employees or clients may have or have had interests or long or short positions in the securities and/or currencies referred to herein, and may at any time make purchases and/or sales in them as principal or agent. Prime Group, its related entities, directors, employees, and agents accept no liability whatsoever for any loss or damage of any kind arising from the use of all or part of these information included in this report whether it is received directly or through research pools and other specialized websites. Certain laws and regulations impose liabilities which cannot be disclaimed. This disclaimer shall, in no way, constitute a waiver or limitation of any rights a person may have under such laws and/or regulations. Furthermore, Prime Group or any of the group companies may have or have had a relationship with or may provide or have provided other services, within its objectives to the relevant companies.

Copyrights © 2021, Prime Group, ALL RIGHTS RESERVED. You are hereby notified that distribution and copying of this document is strictly prohibited without the prior approval of Prime Group.