

The Tortuous Path to Recovery

Mona Bedeir

Chief Economist

T +202 3300 5722

mbedeir@egy.primegroup.org

Recovery in private sector activity is losing momentum as global headwinds abound:

The PMI index retreated in September to its lowest reading since May 2021 and remained in contraction territory for the tenth consecutive month. The headline index fell to 48.9 in September from 49.8 in August. Having peaked in 2021 at 49.9 in June, the index has been fluctuating since then, sending mixed signs about the sustainability of its recovery path. Also, such fluctuations reflect the growing headwinds triggered by the Delta variant and persistent global supply chain bottlenecks.

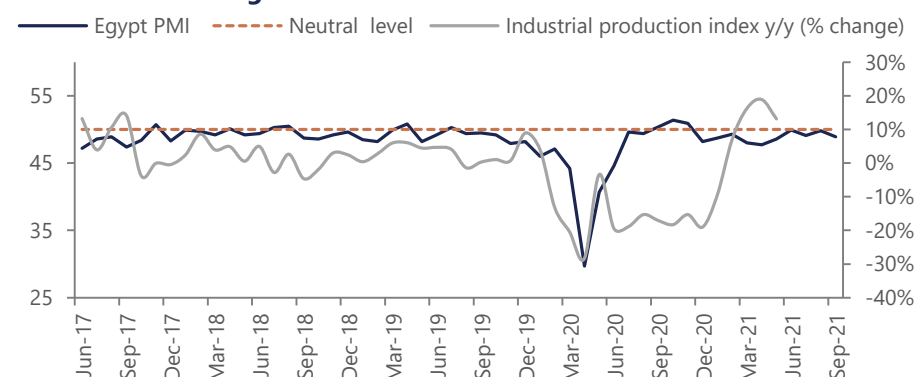
Domestic and foreign demand down; but employment still in expansion:

The output and new order indices were slightly down in September after notching up expansion readings in 2021, in August and June. In addition, foreign demand fell sharply for the first time in five months, impacted by the global supply-side disruptions and higher shipping costs in addition to the container shipping global crisis. Despite this slowdown in demand, the positive outlook for the economy remained solid and drove firms to keep the employment index in expansion territory for the third consecutive month, recording 50.3 in September, up from 50.2 in August.

The ongoing global headwinds will add downside risks, and the recovery will be uneven between sectors:

Both domestic and global recoveries from the pandemic are now facing new challenges as supply-side disruptions became more pronounced. Global supply bottlenecks have proven to be more persistent than initially thought. At home, the gauge on the supply chain bottleneck suggested that it has worsened from September as firms continued to suffer from inventory depletion due to a shortage of input. Also, input cost inflation accelerated at the fastest pace. The rebound in the manufacturing sector, which accounts for 16% of total private sector activity in Egypt, will bear the brunt, being the first victim of such shocks and given its dependency on imported capital goods and raw materials. The latest available data of the country's industrial production index showed a downward trend in its annual growth rate since March 2021. However, the outlook for the service sector is gaining momentum, thanks to the acceleration in the vaccination process and the ongoing rebound in travel activity and the tourism sector.

Chart 1: PMI falls again to its lowest in four months



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 Elhegazi 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.