HSBC Purchasing Managers' Index™ Press Release

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HSBC Egypt PMI™

PMI returns below 50.0 mark in October, signalling deteriorating business conditions

Summary

The HSBC PMI returned below the 50.0 no-change mark in October, suggesting a renewed deterioration in Egypt's private sector business conditions. At 49.5, down from 50.5 in September, the PMI indicated only a marginal contraction, and was broadly in line with the series average of 49.4.

Private sector firms received a lower volume of new orders in October, with companies largely citing weaker market conditions. New export orders also fell, and for the fifth consecutive month, with the rate of decline strengthening since September. Overall, total new business declined modestly, reversing the increase registered one month previously.

Reflective of the fall in new orders, output declined in October. One-in-five surveyed firms reported lower business activity levels when compared with September. Backlogs of work were meanwhile unchanged from the previous survey period.

Employment in Egypt's private sector fell for the sixth consecutive month in October. Approximately 4% of firms reported lower employee numbers, with companies largely linking this to retirements. Although the rate of job losses was only modest, it nonetheless strengthened to a four-month record.

Despite another marginal fall in input buying, stocks of purchases rose solidly in October. The rate of accumulation was solid and the strongest in four months. Suppliers' delivery times meanwhile shortened for the fourth month in a row. However, the latest reduction in input lead times was only marginal.

Input costs faced by private sector companies working in Egypt rose strongly during the latest survey period. Both purchase prices and staffing costs increased, with the larger rise recorded for the former. Overall, the rate of input price inflation was the strongest in two months, but nonetheless remained weaker than the series average.

In contrast, average selling prices were broadly unchanged from September. Almost all the survey respondents reported no change in output charges during October.

The headline figure derived from the survey is the Purchasing Managers' Index™ (PMI™). Readings above 50.0 signal an improvement in business conditions on the previous month, while readings below 50.0 show a deterioration.

Comment

Commenting on the Egypt PMI^{TM} survey, Simon Williams, Economist at HSBC in Egypt said:

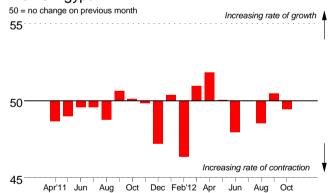
"The readings show me that the economy has found a floor, but there's not much evidence of a turnaround. Output is yet to regain momentum, labour demand is soft, new orders are low and weakness in Europe is clearly weighing on the export sector. I'm bullish on Egypt"s long term potential and hopeful that we will start to see a pick up in 2013, but these numbers underscore the scale of the challenges Egypt's economy still faces."

Key points

- Modest declines in both output and new orders
- Strongest rate of job losses since June, though only modest overall
- Input price inflation at two-month high, but remains below series average

Historical Overview

HSBC Egypt PMI



Sources: Markit, HSBC





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Notes to Editors:

The HSBC Egypt PMI is based on data compiled from monthly replies to questionnaires sent to purchasing executives in approximately 350 private sector companies, which have been carefully selected to accurately represent the true structure of the Egyptian economy, including manufacturing, services, construction and retail. The panel is stratified by Standard Industrial Classification (SIC) group, based on industry contribution to GDP. Survey responses reflect the change, if any, in the current month compared to the previous month based on data collected mid-month. For each of the indicators the 'Report' shows the percentage reporting each response, the net difference between the number of higher/better responses and lower/worse responses, and the 'diffusion' index. This index is the sum of the positive responses plus a half of those responding 'the same'

The *Purchasing Managers' Index™* (*PMI™*) is a composite index based on five of the individual indexes with the following weights: New Orders - 0.3, Output - 0.25, Employment - 0.2, Suppliers' Delivery Times - 0.15, Stock of Items Purchased - 0.1, with the Delivery Times index inverted so that it moves in a comparable direction.

Diffusion indexes have the properties of leading indicators and are convenient summary measures showing the prevailing direction of change. An index reading above 50 indicates an overall increase in that variable, below 50 an overall decrease.

Markit do not revise underlying survey data after first publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series. Historical data relating to the underlying (unadjusted) numbers, first published seasonally adjusted series and subsequently revised data are available to subscribers from Markit. Please contact economics@markit.com.

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Purchasing Managers' Index™ (PMI™) surveys are now available for 32 countries and also for key regions including the Eurozone. They are the most closely-watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends. To learn more go to www.markit.com/economics

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