HSBC Purchasing Managers' Index™ Press Release

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HSBC Egypt PMI™

PMI signals further marginal deterioration in private sector business conditions

Summary

Business conditions at private sector firms in Egypt deteriorated for the second successive month in November. New orders and output fell marginally, but at slower rates than in the previous month. Meanwhile, purchase price inflation accelerated, but remained relatively muted.

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

The PMI remained below the no-change mark of 50.0 for the second consecutive month in November, posting 49.8, slightly up from 49.5 in October. This pointed to a fractional deterioration in operating conditions.

Production at Egyptian private sector companies fell during November for the fourth time in six months. The rate of contraction was, however, marginal and slower than in the previous month.

New order volumes decreased again in November. Economic and political instability were cited as the main reasons behind the slight decrease in new order levels. Meanwhile, data signalled no change in the level of new export orders in November, compared with the situation from the previous month.

Delivery times improved for the fifth successive month in November. According to respondents, the slight improvement in vendor performance was due to a fall in underlying demand for inputs. Employment levels declined further in November, extending the current period of job cuts to seven months. Panellists linked this ongoing development to lower levels of incoming work and business activity.

Purchasing activity at Egyptian private sector firms was marginally lower in November than in October. Where a decrease in buying was reported, firms often mentioned the lack of incoming business as one of the main reasons. Despite this, stocks of purchases rose again in November.

The rate of overall input price inflation eased slightly in November and was well below the series average. In contrast, purchasing costs rose at a slightly faster pace. Meanwhile, average output prices charged by private sector companies in Egypt fell for the second month running in November.

Comment

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

"The fourth sub-50 PMI score in the past six months underscores the magnitude of the economic challenges Egypt faces. Weak output, new orders and employment data all point to an economy that has yet to regain speed. Domestic political uncertainties and weakness in its key European export markets can only add to the headwinds it faces."

Key points

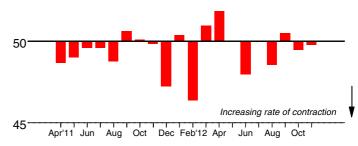
- New orders and production fall for the second month running
- Employment levels decline further
- Rate of purchase price inflation quickens slightly

Historical Overview

HSBC Egypt PMI

50 = no change on previous month

Increasing rate of growth



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' IndexTM (PMITM)* 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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