## **HSBC Purchasing Managers' Index™ Press Release**

Embargoed until: 11:00 (Cairo), 9 January 2013

# HSBC Egypt PMI™

## Substantial deterioration in private sector business conditions

#### **Summary**

Business conditions in the Egyptian private sector worsened substantially during December. Production, new order levels, new export orders and purchasing activity all fell at the sharpest rates since the beginning of data collection in April 2011. Employment levels declined and the rate of input cost inflation accelerated.

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

The headline PMI recorded its lowest level in the series history to date in December, posting 37.1, down from 49.8 in November. The latest reading marked the third successive month of deterioration and pointed to a remarkable worsening in operating conditions in the Egyptian private sector.

December data signalled a striking decline in production at Egyptian private sector firms, with more than half of all respondents reporting lower output levels.

New order levels and export orders both fell sharply during December, and the rates of depletion accelerated to survey-record levels. Panellists linked the decline in order book volumes to the current fragile economic and political conditions.

The level of outstanding business remained broadly unchanged at Egyptian private sector companies in December. Meanwhile delivery times lengthened for the first time in six months, albeit only marginally.

Employment levels continued to fall during December. The rate of job shedding picked up, and was the highest since January. Meanwhile, average tariffs charged by Egyptian private sector firms rose slightly. According to anecdotal evidence, the rise was partly driven by increased costs.

The rate of overall input price inflation accelerated slightly during December and recorded its highest level in four months. The rise in average purchase prices was mainly driven by higher raw material costs and unfavourable exchange rates.

Purchasing activity at private sector companies in Egypt fell sharply during December. One-in-three respondents reported a decline in the quantity of items purchased. Lower business was given as the main reason for the latest development. Driven by a decrease in demand and lower output levels, stocks of purchases expanded for the eighth month running.

#### Comment

Commenting on the Egypt *PMI*<sup>TM</sup> survey, Simon Williams, Economist at HSBC in Egypt said:

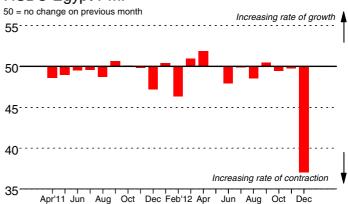
6677

#### **Key points**

- Output and new orders decline sharply
- Input price inflation accelerates
- Steep fall in purchasing activity

#### **Historical Overview**

# HSBC Egypt PMI



Sources: Markit, HSBC.





#### For further information, please contact:

#### **HSBC**

Simon Williams, Chief Economist HSBC Middle East & North Africa Telephone +971-4-423-6925 Email simon.williams@hsbc.com Omnia Samra, Head of Communications HSBC Bank Egypt Telephone +20-2-2529-8376 Email omniasamra@hsbc.com

#### Markit

Oliver Kolodseike, Economist
Telephone +44-1491-461-003
Email oliver.kolodseike@markit.com

Caroline Lumley, Corporate Communications
Telephone +44-20-7260-2047
Mobile +44-781-581-2162
Email caroline.lumley@markit.com

#### **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<sup>TM</sup> (PMI<sup>TM</sup>)* 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.

#### **HSBC**:

HSBC is one of the world's largest banking and financial services organisations. With around 6,900 offices in both established and faster-growing markets, we aim to be where the growth is, connecting customers to opportunities, enabling businesses to thrive and economies to prosper, and ultimately helping people to fulfil their hopes and realise their ambitions.

We serve around 60 million customers through our four global businesses: Retail Banking and Wealth Management, Commercial Banking, Global Banking and Markets, and Global Private Banking. Our network covers 84 countries and territories in six geographical regions: Europe, Hong Kong, Rest of Asia-Pacific, Middle East and North Africa, North America and Latin America. Our aim is to be acknowledged as the world's leading international bank.

Listed on the London, Hong Kong, New York, Paris and Bermuda stock exchanges, shares in HSBC Holdings plc are held by over 221,000 shareholders in 134 countries and territories.

### **About Markit:**

Markit is a leading, global financial information services company with over 2,300 employees. The company provides independent data, valuations and trade processing across all asset classes in order to enhance transparency, reduce

risk and improve operational efficiency. Its client base includes the most significant institutional participants in the financial market place. For more information please see <a href="https://www.markit.com">www.markit.com</a>

#### **About PMIs:**

Purchasing Managers' Index<sup>TM</sup> (PMI<sup>TM</sup>) 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

The intellectual property rights to the HSBC Egypt  $PMI^{TM}$  provided herein is owned by Markit Economics Limited. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without Markit's prior consent. Markit 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 Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers'  $Index^{TM}$  and  $PMI^{TM}$  are trade marks of Markit Economics Limited, HSBC use the above marks under license. Markit and the Markit logo are registered trade marks of Markit Group Limited.