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HSBC Egypt PMI™

Further deterioration in overall business conditions

Key findings:

- Output and new orders both fall for fifth month running
- Rate of job cutting eases
- Input costs continue to increase at sharp rate

February data signalled further declines in output and new orders in Egypt's non-oil producing private sector. While the rates of contraction eased from January, they remained marked. Meanwhile, the rate of job cuts eased and input prices continued to increase. The rate of input price inflation was the second-highest in the series history.

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

Posting 46.0 in February, up from January's 45.0, the headline PMI pointed to a further deterioration of overall business conditions in the Egyptian non-oil producing private sector. While the rate of contraction was lower than in the previous two months, operating conditions nevertheless deteriorated for the fifth successive survey period.

Non-oil producing private sector firms in Egypt recorded falling output and declining new orders during February. The current and ongoing political instability in the country paired with insufficient demand were the main drivers behind lower output, while deteriorating economic and political conditions accounted for much of the decline in new orders. Driven by rising dollar prices and the political instability in Egypt, new export orders also

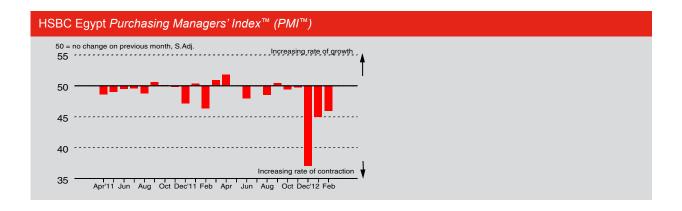
fell during February, and for the third month running.

While employment in Egypt's non-oil producing private sector continued to decline, the rate of job cuts eased from January. Backlogs of work rose slightly during February, and for the second consecutive survey period. Meanwhile, suppliers' delivery times worsened. According to anecdotal evidence, increased prices and import difficulties were the main reasons for the rise in delivery times.

Output prices charged by non-oil producing private sector firms in Egypt rose during February. Moreover, the rate of charge inflation accelerated to the sharpest rate in the series history. Panellists linked this to increased input costs.

Overall input prices increased in the latest survey period. The rate of input price inflation was only slightly lower than in January and remained solid. Driven by high dollar prices and the ongoing political instability in the country, purchase prices rose at a similar pace to January. Staff costs, however, declined for the first time in the series history.

Egyptian non-oil producing private sector companies reported a fall in purchasing activity during February, and commonly linked this to low business. Stocks of purchases also declined, marking the second consecutive month of declining input inventories.



The HSBC Egypt Purchasing Managers' $Index^{TM}$ (PMI^{TM}) is a composite indicator designed to provide an overall view of activity in the Egyptian economy. The indicator is derived from individual diffusion indices which measure changes in output, new orders, employment, suppliers' delivery times and stocks of goods purchased. A reading of the PMI below 50.0 indicates that the economy is generally declining; above 50.0, that it is generally expanding. A reading of 50.0 signals no change. The greater the divergence from 50.0, the greater the rate of change signalled by the index. Purchasing Managers' $Index^{TM}$ and PMI^{TM} are trademarks of Markit Economics Limited, HSBC use the above marks under licence. Markit and the Markit logo are registered trade marks of Markit Group Limited.

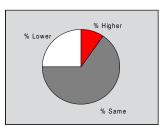




Output Index

Q. Please compare your production/output this month with the situation one month ago.



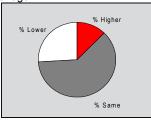


February data signalled a further fall in output at non-oil producing private sector companies in Egypt, pointing do a solid decline in production. While the latest reading marked the fifth successive month of decreasing output, the rate of contraction was lower than in the previous two survey periods. Insufficient demand and political instability in the country were cited as the main reasons behind the decline.

New Orders Index

Q. Please compare the level of new orders received this month with the situation of one month ago.



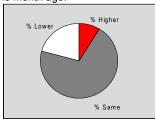


New orders placed at Egyptian non-oil producing private sector firms declined during February, and for the fifth month running. Exactly 26% of respondents reported a contraction of new work, while only 12% indicated growth. According to annecdotal evidence, deteriorating economic and political conditions in the country were the main drivers behind the latest decrease.

New Export Orders Index

Q. Please compare the level of new export orders received this month with the situation of one month ago.





Non-oil producing private sector firms in Egypt reported a decline in new export orders in February. New business from abroad fell for the third consecutive survey period, but the pace of contraction eased slightly from January. Egypt's current political situation and rising dollar prices were reported by panellists to have contributed to the fall in export orders.

Backlogs of Work Index

Q. Please compare the level of outstanding business in your company this month with the situation one month ago.





The seasonally adjusted Backlogs of Work Index posted a reading above the 50.0 mark that separates growth from contraction in February. While the rate of growth signalled was only marginal, it marked the second successive month of rising work-in-hand. There was some evidence that supply problems lead to the accumulation of backlogged work.

Suppliers' Delivery Times Index

Q. Please compare your suppliers' delivery times (volume weighted) this month with the situation one month ago.



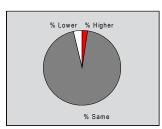


The latest survey data signalled a further rise in average lead times in Egypt's non-oil producing private sector. Delivery times worsened for the third successive survey period in February, and the index posted below the average recorded over the series history. Increased prices and import difficulties were cited as some of the reasons behind the latest rise.

Employment Index

Q. Please compare the level of employment at your unit with the situation one month ago.



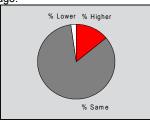


Workforce numbers in the non-oil producing private sector in Egypt continued to decline in February. While the rate of job cuts eased from January, employment levels fell for the tenth month running. Companies that reported lower payroll numbers commonly linked this to staff retirements and low business.

Output Prices Index

Q. Please compare the average prices you charged this month with the situation one month ago.



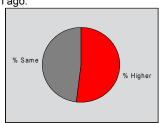


Average tariffs set by non-oil producing private sector firms in Egypt rose during February. The rate of output price inflation picked up and recorded the highest level since the beginning of data collection in April 2011. Only 2% of respondents indicated a reduction in average prices, while 14% recorded an increase. Panellists mainly attributed the rise in output charges to increased input costs.

Overall Input Prices Index

Q. Please compare your overall average input prices this month with the situation one month ago.



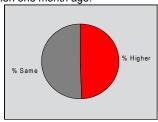


February data pointed to a further solid increase in overall average input prices in Egypt's non-oil producing private sector. This was highlighted by the seasonally adjusted Overall Input Prices Index recording a level well above the no-change mark of 50.0. More than half of respondents indicated an increase in input costs, while none recorded a decrease.

Input Costs: Purchase Prices Index

Q. Please compare the price of your purchases (volume-weighted) this month with the situation one month ago.





Average purchase prices at non-oil producing private sector firms in Egypt continued to increase during February. The rate of inflation remained marked, and was only marginally below January's series record. High dollar prices paired with the ongoing instability in the country contributed to the increase in purchase prices.

Input Costs: Staff Costs Index

Q. Please compare the average prices you paid for salaries/wages this month with the situation one month ago.



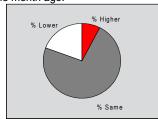


Egyptian non-oil producing private sector companies faced lower average staff costs in February. After adjusting for seasonality, the index posted below the 50.0 threshold for the first time in the series history. The majority of respondents, however, indicated unchanged average prices paid for wages.

Quantity of Purchases Index

Q. Please compare the quantity of items purchased (in units) this month with the situation one month ago.



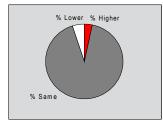


Purchasing activity in Egypt's non-oil producing private sector continued to fall during February, and for the seventh successive month. Around 19% of panellists indicated a decrease in the quantity of inputs purchased, while only 8% reported an increase. Low business was the primary factor highlighted by firms that reported a decrease in buying.

Stocks of Purchases Index

Q. Please compare your stocks of purchases (in units) $\underline{\text{with the situation one}}$ one month ago.





February data signalled a reduction in pre-production inventories at Egyptian non-oil producing private sector companies. The latest reading marked the second consecutive month of falling input stocks. Where a decrease in stocks of purchases was reported, companies mainly linked this to low business.

International PMI summary

China Purchasing Managers' IndexTM = no change on previous month, S.Adj. Increasing rate of growth



Sources: Markit, HSBC

The HSBC China Composite PMI data signalled a further expansion of business activity during January. Output at the composite level has now increased for five successive months, with January posting a solid rate of expansion, the fastest in two years. The HSBC China Composite Output Index posted 53.5 in January, up from 51.8 in December.

Eurozone Purchasing Managers' Index™



Source: Markit

At 48.6 in January, from 47.2 in December, the Markit Eurozone PMI Composite Output Index rose to a ten-month high. Although signalling a further deterioration in output of the Eurozone private sector economy, the rate of decline has now eased for three straight months. Both manufacturing production and service sector business activity declined at the slowest rates since last March.

US Purchasing Managers' Index™



Source: Institute for Supply Management (ISM)

Posting 53.1 in January, up from December's 50.2, ISM data signalled the second successive PMI increase in the US manufacturing sector. The rate of growth was the fastest in nine months. For non-manufacturing companies, the NMI Activity Index recorded a level of 56.4 in January, down from 60.8 in December. The latest reading was, however, the lowest in five months.

Notes on the Data and Method of Presentation

The Purchasing Managers' Index™ is based on data compiled from monthly replies to questionnaires sent to purchasing executives in approximately 400 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.

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