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HSBC Egypt PMI[™]

Business conditions continue to deteriorate during March

Key findings:

- Output and new orders decline at sharp rates
- Further fall in employment
- Overall input price inflation accelerates to series high

The latest survey data signalled further falls in output and new orders in Egypt's non-oil producing private sector, with new work contracting at the sharpest rate since the record posted in December. The falls in output and new business were accompanied by a decline in employment levels. Meanwhile, overall input price inflation accelerated to a series record.

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 44.8 in March, down from February's 46.0, the headline PMI pointed to a further deterioration of overall business conditions in Egypt's non-oil producing private sector. Operating conditions have now deteriorated for six successive survey periods, and the rate of contraction was the second-fastest in the series history.

Driven by political and economic instability, Egyptian non-oil producing private sector companies faced further declines in output and new orders during March. The rates of contraction were sharp, and picked up from the previous survey period. New business from abroad also declined, albeit at the slowest pace in the current four-month sequence.

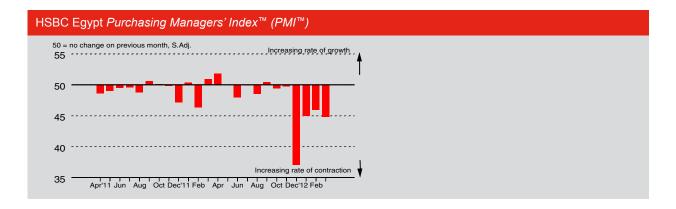
The level of outstanding business increased for the third month

running, but only marginally. The majority of respondents indicated an unchanged level of work-in-hand from February. Meanwhile, vendor performance continued to worsen. According to anecdotal evidence, the rise in average lead times was driven by increasing instability in the country, shortages of fuel and an increased desire amongst suppliers to be paid in cash.

March data signalled further job shedding at non-oil producing private sector firms in Egypt, and companies commonly linked this to lower business. Workforce numbers have now decreased for eleven months in a row.

Overall input prices rose sharply in March, and the rate of cost inflation accelerated to a series high. Most of the cost increase was attributed to a rise in average purchase prices, where 55% of panellists reported higher costs. An increase in raw material prices and the high dollar price were the main drivers behind the latest rise. Average staff costs rose only slightly during the latest survey period. In response to increased input costs, non-oil producing private sector companies in Egypt raised their output charges.

Purchasing activity continued to decrease during March, as 22% of companies reported a decline in buying. There was some anecdotal evidence that the fall was caused by low business. Stocks of purchases also declined, and panellists linked this to the clearance of existing stocks.



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.

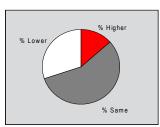




Output Index

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



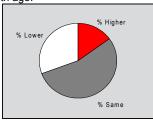


Non-oil producing private sector companies in Egypt reported a further sharp contraction in output during March. The seasonally adjusted Output Index posted below the critical 50.0 mark that separates growth from contraction for the sixth successive survey period. Around 30% of panellists indicated a decline in production with many linking this to the ongoing political instability in the country.

New Orders Index

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



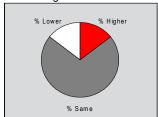


The volume of incoming business continued to decline in Egypt's non-oil producing private sector during the latest survey period. The rate of contraction was sharp, and the fastest since the record in December 2012. Deteriorating political and economic conditions in the country and higher prices were reported to have contributed to much of the latest fall in new orders.

New Export Orders Index

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





After adjusting for seasonality, new business from abroad placed at non-oil producing private sector firms continued to decline in March. While the rate of contraction eased from February, the latest reading marked the fourth consecutive fall in new export orders. Anecdotal evidence suggested that deteriorating political conditions accounted for much of the latest fall.

Backlogs of Work Index

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





March data signalled a slight rise in work outstanding in Egypt's non-oil producing private sector. Backlogs of work increased for the third month running, but the rate of backlog accumulation was only marginal. Only 3% of respondents reported an increase in outstanding business, while the majority indicated an unchanged level of work-in-hand from February.

Suppliers' Delivery Times Index

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



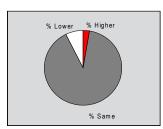


Average lead times in Egypt's non-oil producing private sector rose for the fourth consecutive survey period during March. The rate at which delivery times worsened was unchanged from February, and faster than the series average. According to annecdotal evidence, the rise in lead times was driven by increasing instability in the country, shortages of fuel and an increased desire amongst suppliers to be paid in cash.

Employment Index

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





As has been the case for most of the series history, employment levels at Egyptian non-oil producing private sector firms fell during March. The rate of job shedding was higher than in February, and above the overall series average. Around 7% of panellists indicated a decline in workforce numbers and commonly linked this to lower business.

Output Prices Index

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



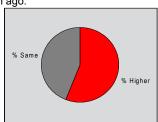


Prices charged at non-oil producing private sector companies in Egypt rose during the latest survey period. The rate of charge inflation eased from February, but remained sharp in the context of historical data. Increased input costs was cited as the main driver behind the latest rise in output prices.

Overall Input Prices Index

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



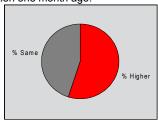


The seasonally adjusted Overall Input Prices Index posted a reading well above the 50.0 no-change threshold in March. The rate of inflation was marked, and accelerated from February to post the highest level since the beginning of date collection in April 2011. Exactly 56% of respondents recorded a price rise, with the remaining panellists indicating unchanged input costs from the previous month.

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 in Egypt's non-oil producing private sector rose during March. The rate of purchase price inflation remained sharp, and was the highest in the series history, with exactly 55% of panellists reporting a cost increase. According to anecdotal evidence, the high dollar price and increased costs for raw material accounted for much of the latest rise.

Input Costs: Staff Costs Index

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



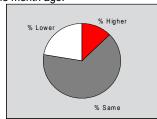


After a fall in February, non-oil producing private sectors companies in Egypt reported a rise in average salaries during March. The increase in wages was only modest, as around 95% of companies recorded unchanged staff costs from the previous survey period. Where a rise was reported, some panellists linked this to bonus payments.

Quantity of Purchases Index

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



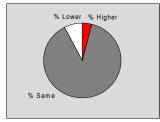


A further decline in purchasing activity was reported by Egyptian non-oil producing private sector companies during March. Buying has now decreased for eight months running, and the rate of contraction remained sharp. Around 22% of respondents indicated lower levels of inputs purchased, while 13% reported a rise. Low volumes of business was the main driver behind the latest development.

Stocks of Purchases Index

Q. Please compare your stocks of purchases (in units) with the situation one month ago.





The latest survey data signalled a further reduction in pre-production inventories in Egypt's non-oil producing private sector. Stocks of purchases declined for the third successive survey period, and at a slightly sharper rate than in February. Where a decline in input stocks was reported, panellists mainly linked this to the clearance of existing stocks.

International PMI summary

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



Eurozone Purchasing Managers' Index™



Source: Markit

US Purchasing Managers' Index™



Source: Institute for Supply Management (ISM)

The HSBC China Composite PMI data signalled a further expansion of business activity during February. Output has now increased at the composite level for six consecutive months. However, the rate of expansion eased from January and was modest overall. The HSBC China Composite Output Index posted 51.4 in February, down from January's two-year high of 53.5.

The Eurozone Composite PMI Output Index posted 47.9 in February, down from January's 48.6 and signalled a steepening of the downturn in business activity, contrasting with the easing trend which had been evident in the three months to January. However, the rate of decline remained less severe than seen in any of the nine months prior to January.

Latest data from the ISM showed a further improvement in manufacturing operating conditions during February, with the respective PMI posting a reading of 54.2, up from January's 53.1. Similarly, further growth was reported in the non-manufacturing sector, with the headline index posting a 12-month high of 56.0, up from 55.2 in the previous survey period.

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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