HSBC *Purchasing Managers' Index*™ 2013

compiled by markit

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HSBC Egypt PMI™

Operating conditions deteriorate at sharpest pace since last December

Key findings:

- Output and new orders both decline at fastest rates since last December
- Further fall in payroll numbers
- Input price inflation accelerates to series record

April data pointed to further contractions in both output and order book volumes at non-oil producing private sector firms in Egypt. The rates of contraction were the sharpest in four months. Employment levels fell for the twelfth successive survey period, and at an accelerated pace. Meanwhile, the rate of input cost inflation picked up and posted a series record high.

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.

Posting 44.2 in April, down from 44.8 in March, the headline PMI pointed to a further deterioration of operating conditions at Egyptian non-oil producing private sector companies. The latest survey data marked a seventh consecutive monthly deterioration, and the rate of contraction was the second-sharpest in the survey history.

Output at non-oil producing private sector companies in Egypt fell during April, extending the current sequence of contraction to seven months. The rate of decline was the sharpest since last December, and was often linked to insufficient demand and the high dollar price. Driven by rising input costs and ongoing political and economic instability in the country, volumes of incoming new business declined at a sharp rate. New export business also fell strongly.

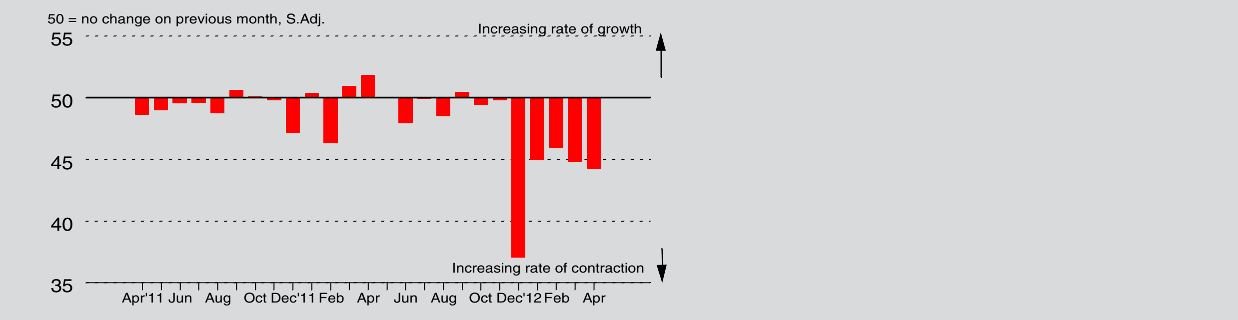
The overall volume of incomplete business fell for the first time in four months during April. The rate of contraction was, however, only slight. Meanwhile, average lead times rose at the second-sharpest rate in the series history. Panellists linked worsening supplier performance to fuel shortages and a lack of raw materials.

Egypt's non-oil producing private sector companies remained reluctant to take on additional staff in April. Employment levels have now fallen for 12 months running, and the rate of job losses was the fastest since January.

Mainly driven by higher purchase prices, companies' overall cost burdens increased at the sharpest rate in the series history during April. Respondents commonly linked the increase to the rising dollar price. Average staff costs also rose, but only fractionally. In response to increased input costs, non-oil producing private sector companies in Egypt raised their charges during the latest survey period. The rate of output price inflation was the highest level since data collection began in April 2011.

The latest survey data indicated a further decrease in purchasing activity. According to anecdotal evidence, the decline in buying was driven by lower order book volumes. Concurrently, input stocks decreased for the fourth month running in April.

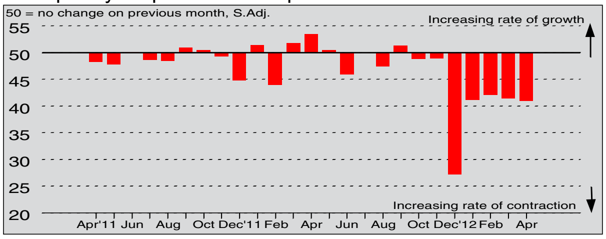
HSBC Egypt *Purchasing Managers' Index*™ *(PMI*™*)*

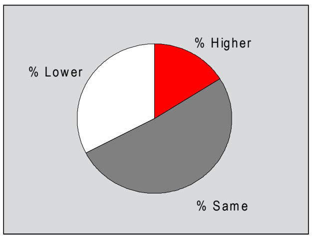


The HSBC Egypt *Purchasing Managers' Index™ (PMI™)* is a composite indicator designed to provide an overall view of activity in the Egyptian economy. The indicator is derived from individual diffusion indices which measure changes in output, new orders, employment, suppliers' delivery times and stocks 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*™ and *PMI*™ are trade marks 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.

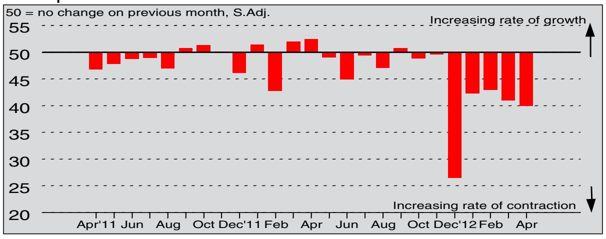


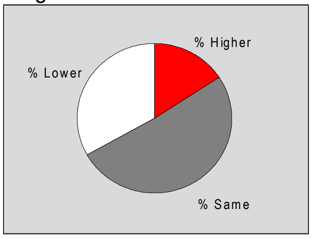


The seasonally adjusted Output Index dipped in April to the lowest reading since the record low from last December, indicating a further decline in output levels in Egypt's non-oil producing private sector. The latest data extended the current sequence of contraction to seven months. Insufficient demand and a rising dollar price were cited as the main drivers of the latest fall.

New Orders Index

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

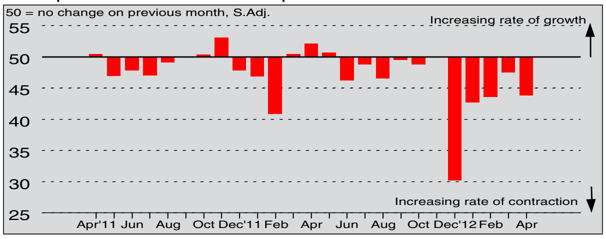


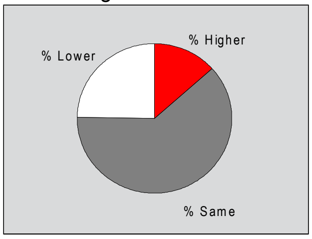


Egyptian non-oil producing private sector companies reported declining volumes of incoming new business in April. New orders have now decreased for seven successive months, and the latest rate of decline was the second-fastest in the survey history. Panellists linked the latest fall to rising input costs and ongoing political instability in the country.

New Export Orders Index

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

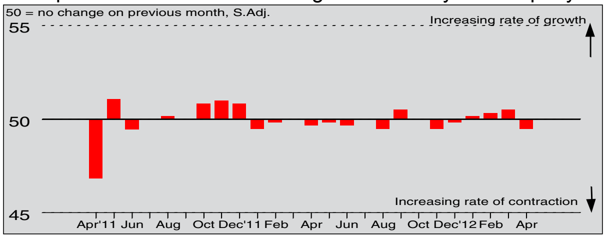


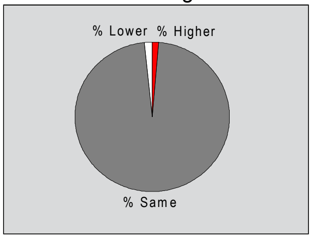


April data signalled a further fall in new export orders placed at non-oil producing private sector companies in Egypt, with one-in-four respondents reporting a decline. New business from abroad has now fallen for ten out of the past 11 months, and the rate of contraction accelerated from March. According to anecdotal evidence, the decline was mainly driven by poor economic and political conditions in the country.

Backlogs of Work Index

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

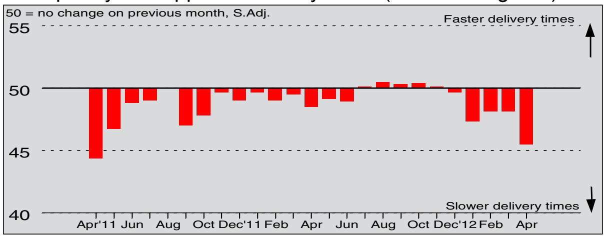


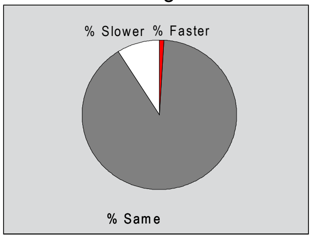


The latest survey data indicated a fall in outstanding business in Egypt's non-oil producing private sector. Backlogs of work declined for the first time in four months, although the rate of contraction was only fractional with the majority of panellists reporting no change in work-in-hand. Where a decrease was reported, companies commonly linked this to lower incoming new business.

Suppliers' Delivery Times Index

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

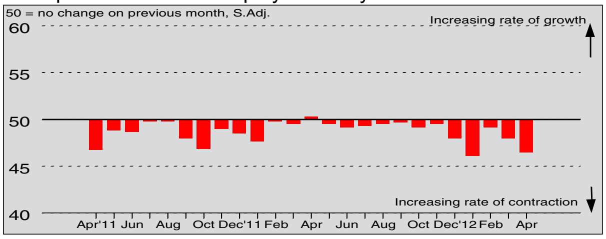


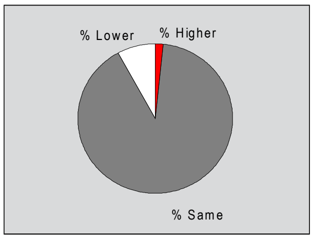


Vendor performance in the Egyptian non-oil producing private sector worsened during April, as the seasonally adjusted Suppliers' Delivery Times Index posted below the no-change mark of 50.0. Average lead times rose for the fifth consecutive survey period, and at the second-sharpest rate in the series history. Fuel shortages and a lack of raw materials were the main drivers behind the rise in lead times on inputs, according to panellists.

Employment Index

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

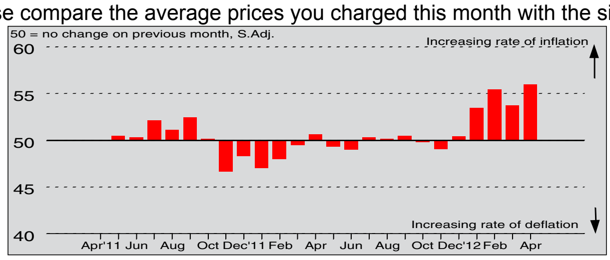


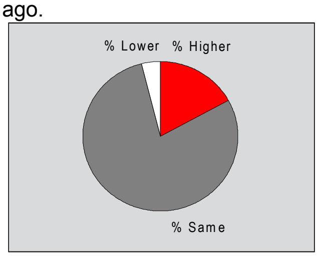


Non-oil producing private sector companies in Egypt reported lower staffing levels in April. Employment levels have now fallen for 12 successive survey periods, and the last decline was the sharpest in three months. A combination of declining incoming new business and the exit of staff retirement resulted in the latest fall in headcounts.

Output Prices Index

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

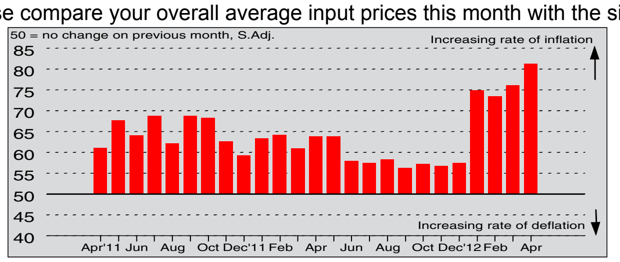


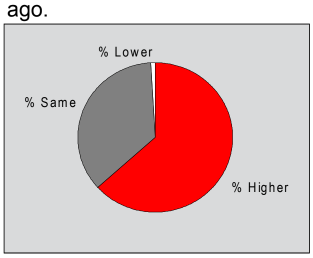


Average prices charged by non-oil producing private sector firms in Egypt continued to rise during the latest survey period. Exactly 17% of panellists indicated rising output charges, while only 4% recorded a fall. Higher input costs was cited as the main driver behind the latest increase. Output prices rose for the fifth month in a row, and at the sharpest rate since data collection began in April 2011.

Overall Input Prices Index

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

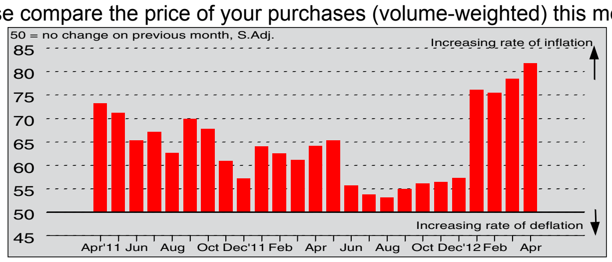


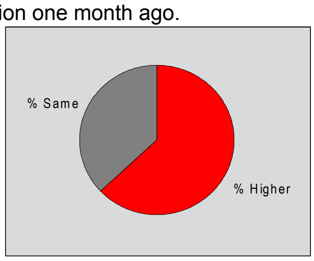


Overall input costs in Egypt's non-oil producing private sector increased sharply during April, as the seasonally adjusted Overall Input Prices Index posted well above the neutral 50.0 threshold. The rate of input cost inflation accelerated to the highest in the two-year survey history, with 63% of respondents indicating higher cost burdens.

Input Costs: Purchase Prices Index

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

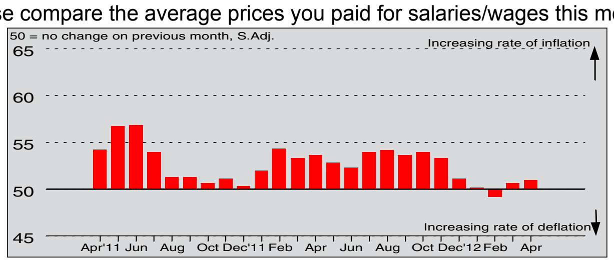


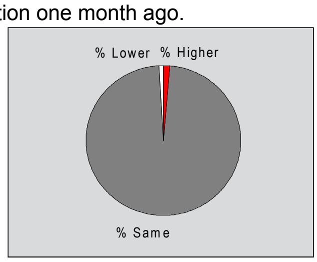


Egyptian non-oil producing private sector firms faced a further sharp increase in purchases prices in April. Cost inflation picked up from March, and was the highest in the series history, with 63% of panellists reporting rising input costs. High dollar prices was the primary factor highlighted by companies that reported an increase in average prices paid for purchases.

Input Costs: Staff Costs Index

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

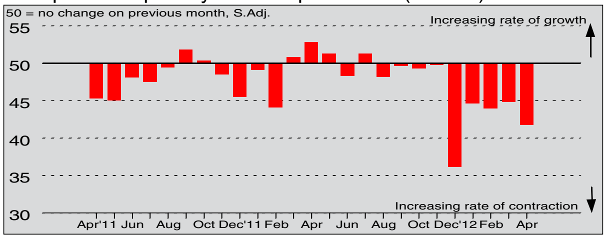


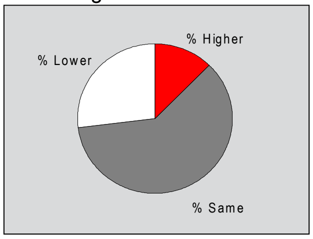


Average salaries at non-oil producing private sector firms in Egypt rose for the second successive survey period during April. The rate of wage inflation was marginally higher than in March, but was still only modest and remained below the overall series average. The majority of companies signalled unchanged average wages from the previous month.

Quantity of Purchases Index

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

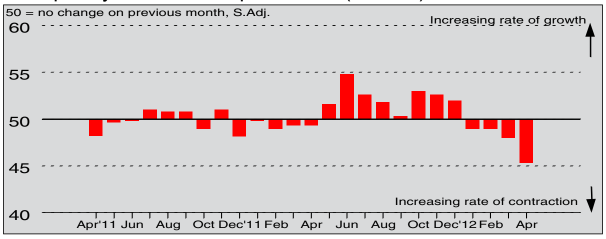


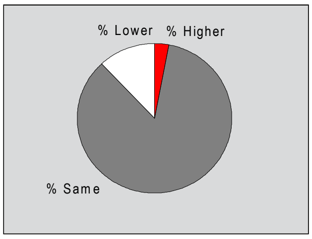


Purchasing activity in Egypt's non-oil producing private sector fell in April, as the seasonally adjusted Quantity of Purchases Index posted well below the 50.0 mark that separates growth from contraction. Buying has now decreased for nine consecutive months, and at the fastest pace since last December. A decline in incoming new business was mentioned by many companies to be the main driver behind the latest decrease.

Stocks of Purchases Index

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

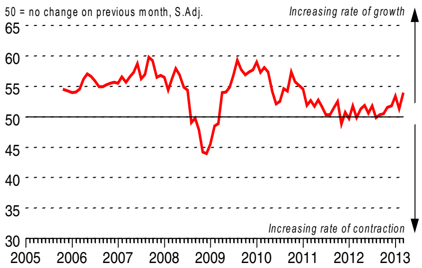




Stocks of raw materials and other pre-production inventories held at Egyptian non-oil producing private sector firms decreased in April. Partly driven by lower order book volumes, input stocks fell for the fourth successive survey period, and at the sharpest rate in the series history. Exactly 12% of companies reported a decrease in inventory levels, while only 3% indicated a rise.

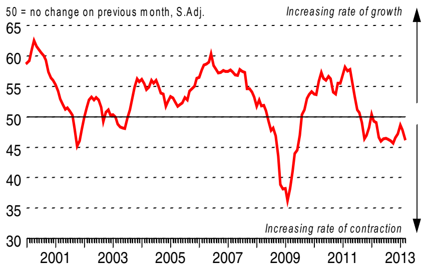
International PMI summary

China Purchasing Managers' Index™



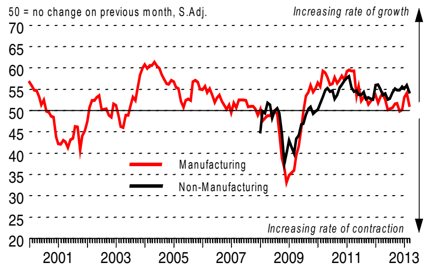
Sources: Markit, HSBC

Eurozone Purchasing Managers' Index™



Source: Markit

US Purchasing Managers' Index™



Source: Institute for Supply Management (ISM)

HSBC China Composite PMI™ data (which covers both manufacturing and services) signalled a further expansion of output during March. Activity has now risen at the composite level for seven successive months. Furthermore, the rate of expansion accelerated from February to a solid pace. The China Composite Output Index posted 53.5 in March, up from February's four-month low of 51.4.

The final Markit Eurozone PMI® Composite Output Index posted 46.5 in March, down from February's 47.9. The rate of decline in activity accelerated for the second month in a row to reach the fastest since last November. The PMI shows that output has fallen in each of the past 19 months with the sole exception of a marginal increase at the start of last year.

Manufacturing operating conditions in the US continued to improve, as the ISM headline PMI posted 51.3 in March, down from February's 54.2. The latest reading was the weakest in three months. Slower growth was also reported in the non-manufacturing sector, as the headline index posted 54.4 in March, down from 56.0 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.

Warning