Embargoed until: 07:30 (CAIRO) 5 November 2013

HSBC Egypt PMI™

Output expands for first time in 13 months during October

Key findings:

- Activity rises despite marginal fall in new orders
- Rate of job shedding eases
- Overall input costs increase at slowest pace in survey history

October data signalled a return to output growth in Egypt's nonoil producing private sector, ending a 12-month period of contraction. New order intakes continued to decline, but only marginally. Meanwhile, employment levels fell at a weaker pace and the rate of overall input cost inflation eased to the weakest 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.

Egypt's non-oil producing private sector edged closer to stabilisation in October with the headline PMI posting 49.5, up from September's 44.7. While operating conditions have now deteriorated for 13 straight months, the latest rate of deterioration was the weakest since last November.

Activity at Egypt's non-oil producing private sector firms rose for the first time since September 2012 during October, as companies reported improving conditions in the country. The rate of expansion was, however, only slight. Meanwhile, new orders continued to decline, although at the slowest pace in almost a year. New business from abroad also fell at a weaker rate.

In line with lower new business, staffing levels continued to decline in October. Companies commented on the retirement of

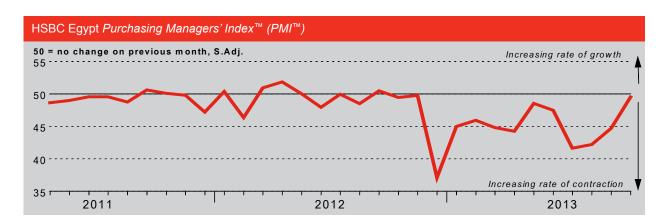
employees and the search for better job opportunities. While workforce numbers have now fallen continuously for a year-and-a-half, the latest rate of job shedding was modest.

Overall input costs rose at the slowest pace in the series history during October. A combination of unfavourable exchange rates and increased raw material costs accounted for much of the latest rise in purchase prices. While the rate of purchase price inflation eased since September, staff costs increased at a slightly faster pace.

In an attempt to attract new customers, Egypt's non-oil producing private sector companies lowered their charges for a second consecutive month during October.

Work-in-hand accumulated for the first time in four months during October. However, the rate of backlog accumulation was only marginal, as the vast majority of companies reported unchanged levels of outstanding work. Concurrently, suppliers' delivery times lengthened fractionally.

October data signalled a decrease in purchasing activity at Egyptian non-oil producing private sector companies, extending the current sequence of contraction to 15 months. The pace of decline eased, however, and was modest overall. Stocks of purchases also fell at a slower pace, with the vast majority of survey respondents reporting unchanged input stocks.



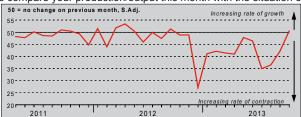
The HSBC Egypt Purchasing Managers' $Index^{TM}$ (PMI^{TM}) is a composite indicator designed to provide an overall view of activity in the Egyptian economy. The indicator is derived from individual diffusion indices which measure changes in output, new orders, employment, suppliers' delivery times and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

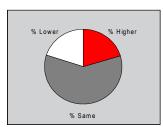




Output Index

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

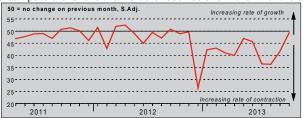


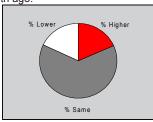


Egypt's non-oil producing private sector companies reported the first rise in output levels in 13 months during October. This was highlighted by the seasonally adjusted Output Index posting above the neutral 50.0 threshold. Anecdotal evidence suggested that improving conditions in the country and higher demand led to the increase in activity.

New Orders Index

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



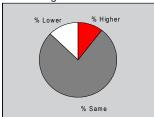


October data signalled a further drop in new order intakes at Egyptian non-oil producing private sector companies, extending the current sequence of declining new orders to 13 months. The pace of contraction eased markedly, however, and was the weakest in nearly a year. Some companies linked slower contraction to relatively stable conditions 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.

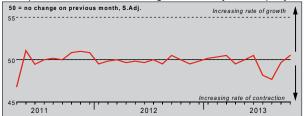


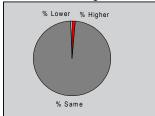


The seasonally adjusted New Export Orders Index registered below the 50.0 no-change mark in October, signalling declining client demand from foreign markets. Problems at ports and deteriorating conditions in Libya both contributed to the latest decline. New export business has now fallen for 11 months in succession, but the latest drop was at the slowest pace in that sequence.

Backlogs of Work Index

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





Outstanding new business at Egypt's non-oil producing private sector companies accumulated for the first time in four months during October, highlighted by the seasonally adjusted Backlogs of Work Index posting above the neutral 50.0 threshold. The pace of backlog accumulation was marginal, however, as the vast majority of survey respondents indicated unchanged levels of unfinished work.

Suppliers' Delivery Times Index

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



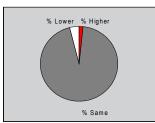


Following a trend observed throughout most of the survey history, suppliers' delivery times in Egypt's non-oil producing private sector lengthened in October. The deterioration in vendor performance was fractional, however, with the vast majority of panellists recording unchanged lead times on inputs.

Employment Index

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

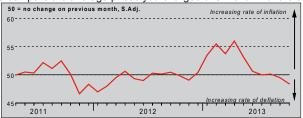


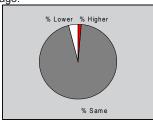


October saw a further drop in workforce numbers in Egypt's non-oil producing private sector, but the rate of job shedding eased to the weakest in four months and was modest overall. Where a decline in employment levels was reported, companies commented on the retirement of employees and the search for better job opportunities.

Output Prices Index

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

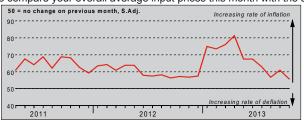


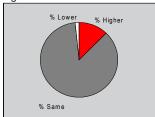


Egypt's non-oil producing private sector companies lowered their selling prices for a second consecutive month in October, with the seasonally adjusted Output Prices Index posting below the 50.0 no-change mark. Many companies reduced their output charges in order to attract more customers. The rate of reduction was the fastest since February 2012.

Overall Input Prices Index

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

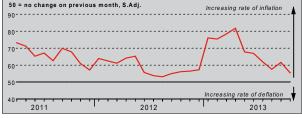


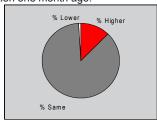


Overall input prices rose further in October, with 12% of companies reporting higher cost burdens. However, the rate of cost inflation eased markedly since the previous month and was the weakest recorded in the series history. While purchase prices rose at a slower pace, wage costs increased at a slightly accelerated rate.

Input Costs: Purchase Prices Index

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

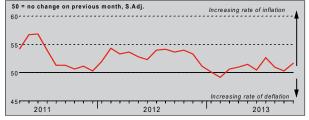


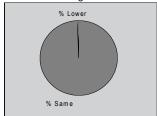


The latest survey results signalled a further increase in purchase costs at Egypt's non-oil producing private sector companies. A combination of unfavourable exchange rates and increased raw material prices accounted for most of the cost rise, according to panel members. The rate of purchases price inflation eased to the weakest in 13 months.

Input Costs: Staff Costs Index

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



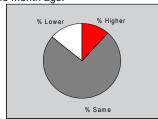


After adjusting for seasonal factors. staff costs in Egypt's non-oil producing private sector continued to rise in October, extending the current sequence of wage inflation to eight months. While the rate of inflation in average salaries accelerated to a three-month high, the overall rise was modest.

Quantity of Purchases Index

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



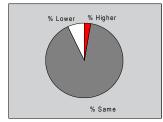


Buying activity at Egypt's non-oil producing private sector companies fell for the fifteenth successive survey period in October, with 14% of panel members indicating a fall in input buying. The rate of decline eased markedly and was the weakest in 11 months. Lower new business was the main driver for the latest decrease, according to panellists.

Stocks of Purchases Index

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





The seasonally adjusted Stocks of Purchases Index posted below the no-change mark of 50.0 in October, signalling a further fall in inventory holdings. The pace of depletion eased, however, to the slowest in the current five-month period of contraction. Exactly 7% of survey respondents recorded a reduction in input stocks, while 3% reported an increase.

International PMI™ summary





2007

2009 2011 2013

2003

2005

2001

Source: Markit



HSBC China Composite PMI™ data (which covers both manufacturing and services) signalled a further expansion of output in September. Output growth has now been recorded for two successive months. The rate of expansion remained modest, despite having eased since August. The HSBC China Composite Output Index posting at 51.2 in September, down from 51.8 in August.

The Markit Eurozone PMI[®] Composite Output Index rose to a 27-month high of 52.2 in September, up from 51.5 in August and providing further evidence that the eurozone recovery gathered pace, after the region pulled out of the longest recession in its history.

Operating conditions in the US manufacturing sector improved further in September, with the ISM headline index posting a 29-month high of 56.2, up from August's 55.7. Non-manufacturers also reported an improvement in operating conditions, with the headline index registering 54.4, down from 58.6 in August.

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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