



BUSINESS CONFIDENCE IN GCC – HIGH BUT TREND IS DOWNWARD

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HSBC's latest quarterly survey of confidence levels among the Gulf's business community has revealed that confidence levels remain high, although these levels have shown a consistent decline over the past year.

From a base Index level of 100 in Q1 2007, the Index stands at 96.8 twelve months later. This decline has been consistent in each quarter over the past year.

The main factors cited for the decline in outlook are high inflation and the weakness of the US Dollar. The continuing high price of oil is now perceived to be having a negative impact on business.

Inflation in particular is contributing to the decline in business sentiment, with the proportion of businesses claiming a negative impact rising from 36% in Q1 2007 to 61% in the first quarter of this year.

But despite these warning signals, the overwhelming tone of the Index is positive:

- 65% are optimistic about growing their revenues
- 28% expect their turnover to increase by more than 15% in 2008, with a further 34% predicting an increase of between 5-15% compared to last year
- Over half (54%) expect to increase their staff numbers in 2008



Keith Bradley, Regional Head of Commercial Banking, commented:

“It is important to keep these figures in perspective. The slowing of the major western economies, the credit crunch, and the fall in global stock markets inevitably affects the outlook and sentiment of business people. However, the Gulf’s economies continue to expand, and business people’s outlook continues to be broadly positive. The majority are expecting very healthy growth and expansion in 2008. This mirrors what our customers are telling us, with growth and expansion being the dominant themes.”

On the much-discussed issue of regional currencies, the number of businesses expecting a revaluation of their local currency has fallen from 59% in Q4 2007 to 41% today. Around half of all business people (48%) believe a revaluation would have a positive impact on their business.

Antoine Cahuzac, CEO of Global Banking for HSBC in the Middle East, added:

“This general optimism runs right through the region’s economy, from the largest institution to the smallest start up business. We believe that the confidence is underpinned by sound fundamentals, and the increasing levels of activity we are seeing among our corporate and institutional clients certainly supports this.”

The first quarter Index of 2008 surveyed 1,464 respondents from all six GCC countries, with the majority coming from Saudi Arabia and the UAE.

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Notes to editors

1. About the HSBC Gulf Business Confidence Index:

The HSBC GCC Business Confidence Index was compiled by YouGov Siraj. The Index appears quarterly, and tracks business sentiment in all six countries of the GCC.

Index Methodology:

The Gulf Business Confidence Index is calculated using the results from Q1 2007 as a base, with a score of 100. This and future Indices will show a deviation from that base to indicate rising or falling levels of business confidence.

A score greater than 100 indicates a shift in the positive direction. A score lower than 100 indicates that business confidence is showing a negative trend.

Questionnaires were completed between 16th-22nd March 2008.

A total of 1464 respondents took part in the survey, conducted by YouGov Siraj, from the following countries: Oman, Kuwait, Bahrain, Qatar, Saudi Arabia, United Arab Emirates.

Industries represented were as follows:

Information Technology: 11%

Construction: 9%

Advertising/Marketing/PR: 9%

Education/Academia: 8%

Other private sector: 9%

Banking and Finance: 7%

Medical: 6%

Industrial: 4%

Oil, gas and petrochemicals: 4%

Others: 34%

The level of seniority of respondents was as follows:

CEO/President/Chairman/Owner: 4%

Senior Manager: 12%

Professional: 24%

Middle Manager: 21%

Executive/Clerical: 19%

Junior Manager: 20%

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