



PRESS RELEASE

GULF BUSINESS CONFIDENCE SHOWS FURTHER DECLINES

- *Confidence falls from historic highs, but business remains bullish overall*
- *Staffing, inflation, oil price at source of negative sentiment*

DUBAI June 22nd 2008

The HSBC Gulf Business Confidence Index for the second quarter of 2008 reveals that the prevailing mood of Gulf business people remains buoyant, but that levels of confidence among business people continues to fall, maintaining the downward trend of the past 18 months. The Business Confidence Index has dipped to a mark of 94 from the benchmark 100 set in February 2007. Inflation, the price of oil, and staffing issues are cited as the three main drivers of the dip in confidence levels.

In spite of the concerns, however, the region's business people remain firmly in growth mode:

- 62% expect to see an increase in revenue this year
- 52% expect to increase their workforce this year
- 50% expect to increase profits this year

Speculation on a revaluation of the local currency has also diminished, with only 28% now expecting a change in currency policy this year, down from 59% at the end of 2007.

“In a region with a predicted economic growth of seven or eight per cent, we are not surprised to see that confidence is high among business people,” said Tim Reid, Head of Global Banking for HSBC in the Middle East. “Once again, the Index provides a very accurate mirror of what our customers are telling us: that while there are challenges, business remains strong, and optimism among the business community remains high.”

(more)



The most confident country in the Gulf is Qatar, with an Index of 109.1, far and away the highest in the region. The least confident are Kuwait and Oman, with scores of 91.8 and 92 respectively.

“Another manifestation of these high levels of confidence is the heightened international and cross-border activity we are seeing from Gulf companies,” Reid added. “It is not only petro-dollars that are driving the international expansion of GCC companies; it is also a reflection of the bullish outlook common in the region’s boardrooms.”

Keith Bradley, Head of Commercial Banking for HSBC in the Middle East, added:

“While the large acquisitions and investments by the region’s governments and sovereign wealth funds tend to grab the headlines, a more significant indicator to us is the mood of confidence and the expectations of growth among the region’s small and medium enterprise sector. In terms of turnover, staffing levels, and growth prospects, the region’s businesses are in expansion mode.”

The second quarter Index of 2008 surveyed 1,469 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 9th and 14th June 2008.

A total of 1469 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: 9%

Construction: 9%

Advertising/Marketing/PR: 6%

Education/Academia: 8%

Other private sector: 12%

Banking and Finance: 7%

Medical: 5%

Industrial: 5%

Oil, gas and petrochemicals: 4%

Others: 35%

The level of seniority of respondents was as follows:

CEO/President/Chairman/Owner: 5%

Director/Senior Manager: 11%

Professional: 23%

Middle Manager: 22%

Executive/Clerical: 19%

Junior Manager: 20%

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