

# SABB HSBC Purchasing Managers' Index™ Press Release

compiled by markit

Embargoed until: 08:30 (RIYADH), 5 October 2010

## SABB HSBC Saudi Arabia PMI™

Business conditions remained favourable in September, rounding off a strong third quarter

### Summary

The seasonally adjusted headline SABB HSBC Saudi Arabia *Purchasing Managers' Index™ (PMI™)* slipped further in September to 58.4, from 59.1 in August. Although the latest reading pointed to a weaker improvement in the health of the KSA private sector economy, it remained at a level consistent with a substantial rate of expansion.

September data suggested that the domestic market remained the primary driver of growth in the Saudi Arabian private sector economy, as total new work rose rapidly compared with a relatively muted increase in new export orders. Survey participants commented on good market demand and favourable business conditions. However, expansions in both total new orders and new work from abroad slowed since August to seven-month lows.

Further gains in new business encouraged companies in the KSA private sector to raise activity levels in September. Output grew sharply as a result, albeit to a lesser extent than over the previous six months. However, the increase in activity was not sufficient to clear backlogs, which continued to accumulate at a moderate pace. Shipment delays due to difficulties at the country's ports were also mentioned by some respondents.

To accommodate greater business requirements and company expansions, Saudi Arabian private sector firms raised buying activity, increased input holdings and hired extra staff during September. Purchasing growth was considerable, leading to a solid accumulation of input stocks. Meanwhile, job creation was moderate but fractionally faster than in August.

Despite heavier demand for inputs, average vendor performance improved at a modest rate. Panel members linked shorter delivery times to a high degree of competition amongst suppliers and prompt payment for goods.

Overall input price inflation across the KSA private sector economy remained moderate at the end of Q3. Data showed that a slightly accelerated increase in purchasing costs was offset by a weaker rise in staff costs. Purchasing price inflation picked up to a marked rate in September, which companies attributed to higher raw material and freight costs. In contrast, personnel costs grew only marginally. In the 2% of cases where salaries were increased, firms commented on performance-related rewards.

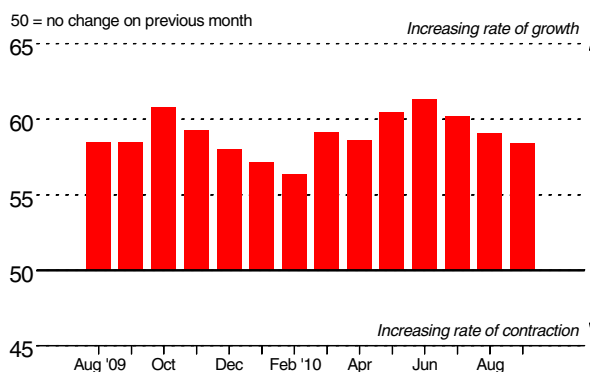
Strong demand conditions enabled Saudi Arabian private sector companies to raise their charges in September. Output price inflation was moderate but nevertheless the mildest recorded by the survey to date. Panellists stated that tariffs were increased either to protect profit margins from greater input costs, or simply to expand them.

### Key points

- PMI slipped to seven-month low, but still signalled sharp rate of expansion.
- Output and new business continued to grow at substantial rates, despite slowing.
- Job creation remained moderate.
- Charge inflation mildest since survey began in August 2009.

### Historical Overview

#### SABB HSBC Saudi Arabia PMI



markit™

SABB  ساب  
Local vision, international expertise

HSBC   
The world's local bank

## For further information, please contact:

### SABB

Ibrahim Abo-Mouti, Head of Corporate Communications  
Telephone +966-1-276-4041  
Email [ibrahimabomouti@sabb.com](mailto:ibrahimabomouti@sabb.com)

Abdul Nasser Al Salti, Senior Manager, Media Relations  
Telephone +966-1-276-4450  
Email [abdulnasser.alsalti@sabb.com](mailto:abdulnasser.alsalti@sabb.com)

### HSBC

Simon Williams, Chief Economist, HSBC MENA  
Telephone +971-4-423-6925  
Email [simon.williams@hsbc.com](mailto:simon.williams@hsbc.com)

### Markit

Gemma Wallace, Economist  
Telephone +44-1491-461-075  
Email [gemma.wallace@markit.com](mailto:gemma.wallace@markit.com)

Caroline Lumley, Corporate Communications  
Telephone +44-20-7260-2047  
Email [caroline.lumley@markit.com](mailto:caroline.lumley@markit.com)

## Notes to Editors:

### About SABB HSBC Saudi Arabia Purchasing Managers' Index™

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 Saudi Arabia economy, including manufacturing, services 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. Historical data relating to the underlying (unadjusted) numbers, first published seasonally adjusted series and subsequently revised data are available to subscribers from Markit. Please contact [economics@markit.com](mailto:economics@markit.com).

### SABB:

SABB is a Saudi joint stock company, quoted on the Saudi stock exchange (Tadawul). The HSBC Group has a 40% stake in SABB.

SABB is one of the largest banks in Saudi Arabia, which operates through a large network of branches throughout the country and offers a comprehensive portfolio of personal, corporate and private banking services, both conventional and Islamic.

SABB provides specialist corporate finance services including investment banking advisory, debt and project finance through its associate, HSBC Saudi Arabia Limited. In addition, SABB offers insurance products through SABB Takaful and equity brokerage services through SABB Securities Limited.

### HSBC:

Headquartered in London, HSBC is one of the largest banking and financial services organisations in the world. Its international network comprises some 8,000 offices in 87 countries and territories in Europe; Hong Kong; Rest of Asia-Pacific; the Middle East; North America and Latin America. With assets of US\$2,418 billion at 30 June 2010, HSBC is one of the world's largest banking and financial services organisations. HSBC is marketed worldwide as 'the world's local bank'.

### About Markit:

Markit is a leading, global financial information services company with over 1,900 employees. The company provides independent data, valuations and trade processing across all asset classes in order to enhance transparency, reduce risk and improve operational efficiency. Its client base includes the most significant institutional participants in the financial market place. For more information please see [www.markit.com](http://www.markit.com).

### About PMIs:

Now available for 26 countries and key regions including the Eurozone and BRIC, Purchasing Managers' Indexes™ (PMIs™) have become the most closely-watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends.

**The intellectual property rights to the SABB HSBC Saudi Arabia PMI provided herein is owned by Markit Group Limited. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without Markit's prior consent. Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. Markit, PMI and Purchasing Managers' Index are all trademarks owned by The Markit Group.**