

SABB HSBC Purchasing Managers' Index™ Press Release

compiled by markit

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SABB HSBC Saudi Arabia PMI™

PMI signalled stronger improvement in operating conditions in October

Summary

Rising to 59.9 in October, from 58.4 in September, the seasonally adjusted headline SABB HSBC Saudi Arabia Purchasing Managers' Index™ (PMI™) signalled a sharp gain in the health of the economy. Moreover, the rate of improvement was faster than the series trend.

Total new order receipts at KSA private sector companies rose substantially in October and at the fastest rate since July. This was despite growth of new export business easing to a series record low. Panellists cited favourable economic conditions, greater demand and successful promotional activities as the key factors driving overall new order levels higher.

Greater volumes of new work led KSA private sector firms to raise output, employment and purchasing more sharply in October. Activity increased at a considerable pace, while job creation was solid. Growth in both variables was the fastest since June. Meanwhile, buying activity expanded substantially.

The latest increase in input acquisitions was sufficient to further build up stocks of purchases at the start of Q4. However, the rate of accumulation moderated to a survey record low.

Despite stronger demand for inputs in October, average vendor performance continued to improve. Moreover, lead times shortened to a greater extent than over the previous five months. Saudi Arabian private sector companies stated that competition amongst suppliers was the main reason for the improvement.

The volume of unfinished business at KSA private sector firms grew in October, bringing the current run of accumulation to ten months. The rate of increase was solid and the most marked since July. Panellists attributed the rise to heavier workloads.

Total input price inflation accelerated to a solid rate in October. Data showed that faster rises in both purchasing and wage costs supported the latest increase. Prices paid for raw materials and semi-finished goods climbed sharply and at a series record rate. Higher commodity costs and unfavourable exchange rate fluctuations were the key contributors to purchasing price inflation, according to respondents. Meanwhile, salaries rose moderately, which panel members linked to higher production and solid business conditions.

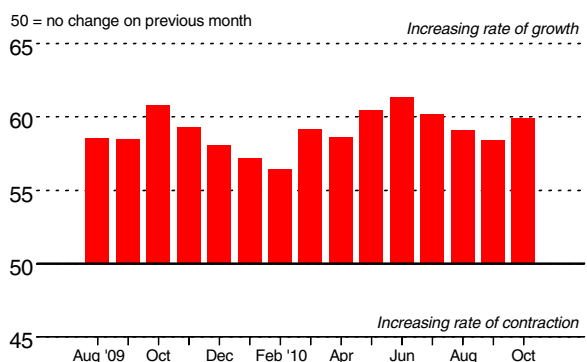
Private sector firms in Saudi Arabia passed on part of their greater cost burdens to customers in October through higher charges. Output price inflation picked up to a solid rate as a result.

Key points

- Output, new business and employment growth all accelerated.
- Expansion in new export orders slowed to series record low.
- Purchase price inflation fastest in survey history.
- Stocks of purchases growth weakest in series history.

Historical Overview

SABB HSBC Saudi Arabia PMI



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For further information, please contact:

SABB

Ibrahim Abo-Mouti, Head of Corporate Communications
Telephone +966-1-276-4041
Email ibrahimabomouti@sabb.com

Abdul Nasser Al Salti, Senior Manager, Media Relations
Telephone +966-1-276-4450
Email abdulnasser.alsalti@sabb.com

HSBC

Simon Williams, Chief Economist, HSBC Middle East & North Africa
Telephone +971-4-423-6925
Email simon.williams@hsbc.com

Markit

Gemma Wallace, Economist
Telephone +44-1491-461-075
Email gemma.wallace@markit.com

Caroline Lumley, Corporate Communications
Telephone +44-20-7260-2047
Email 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, 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. 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.

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.

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.

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