

## SABB HSBC Purchasing Managers' Index™ Press Release

compiled by markit

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# SABB HSBC Saudi Arabia PMI™

Output growth eased from November's peak, while input price inflation hit series record high

### Summary

**The Saudi British Bank "SABB" has published the results of the headline SABB HSBC Saudi Arabia Purchasing Managers' Index™ (PMI™) for December 2010 – a monthly report issued by the bank and HSBC. It reflects the economic performance of Saudi Arabian non-oil producing private sector companies and establishments through the monitoring of a number of variables, including output, new orders, exports, input prices, output prices, quantity of purchases, stocks and employment.**

At 61.3 in December, the headline index was down slightly from November's series record high of 62.2. Nevertheless, the latest reading signalled another considerable gain in the health of the Saudi Arabian non-oil private sector. Moreover, the rate of the improvement remained above the series trend.

Activity levels continued to grow in the final month of the year. Although the rate of increase moderated slightly from November's peak, it was nonetheless sharp. Anecdotal evidence showed that output was raised to accommodate another inflow of new business.

New order receipts increased at a substantial rate during December as market conditions improved. A combination of promotional work, good business reputations and company expansions also helped stimulate demand. Although export growth picked up sharply on the month, data suggested that the domestic market remained the principal driver of total new order expansion.

In order to keep output growth in line with the upward trend in demand, Saudi Arabian non-oil private sector firms took on new staff, raised buying activity and built up inventories in December. Both employment and input stocks increased markedly, while purchases rose considerably. Even so, supplier performance continued to improve, which panellists linked to strong competition amongst vendors and prompt payment for goods received.

Another expansion of new work led to a build up of backlogs during December. Outstanding business accumulated solidly, albeit to a lesser extent than over the previous two survey periods.

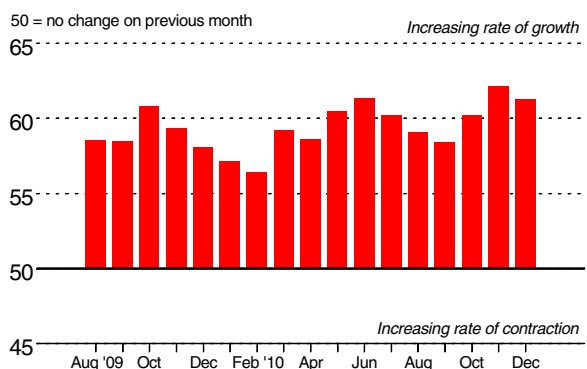
Total input price inflation accelerated to a series record pace at the end of the fourth quarter, driven by steeper rises in both purchasing and staff costs. The former increased at a sharp and accelerated pace that was a new series record. Reports linked greater purchasing costs to higher raw material prices, which resulted from greater market demand and unfavourable exchange rates. Meanwhile, employee payments increased at a moderate rate that was the most marked since May.

### Key points

- Activity and new work continued to grow sharply.
- Job creation remained robust.
- Total input price inflation accelerated to series record high...
- ...driven by faster rises in both purchasing and staff costs.

### Historical Overview

#### SABB HSBC Saudi Arabia PMI



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## 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](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.

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