

SABB HSBC Purchasing Managers' Index™ Press Release

compiled by markit

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SABB HSBC Saudi Arabia PMI™

Activity and new business growth accelerated to series record rates in January, but so did input price inflation

Summary

The Saudi British Bank "SABB" has published the results of the headline SABB HSBC Saudi Arabia Purchasing Managers' Index™ (PMI™) for January 2011 – 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.

The headline index climbed to a series record peak of 63.8 in January, from 61.3 in December. The latest reading signalled a substantial and accelerated improvement in the health of the KSA non-oil producing private sector.

Non-oil private sector activity rose at a series record pace in January, supported by an unprecedented rise in new business. Incoming new work grew rapidly, which panel members linked to a combination of beneficial economic conditions, good demand, promotional work and strong company reputations. Data showed that both domestic and export markets were significant contributors to January's expansion of total new orders, although the former remained the leading factor.

Saudi Arabian non-oil private sector firms posted a thirteenth successive build up of unfinished work at their units in January. Outstanding business accumulated at a solid and accelerated pace as new order levels rose.

Firms expanded capacity in January, responding to greater current and expected business requirements. Employment, buying activity and stocks were all increased on the month. Staffing grew solidly, albeit at a marginally weaker rate than in December, while both purchases and input stocks rose at near series record rates.

Average vendor performance continued to improve at the start of 2011, despite stronger demand for inputs. Lead times shortened modestly and at the fastest rate for three months, which panel members attributed to supplier efficiency and intense competition amongst vendors. That said, the rate of improvement was far slower than in January 2010.

A combination of increased demand for inputs and short supplies of certain commodities put upward pressure on purchasing costs in January, pushing inflation to a series record high. Total input prices rose at the fastest pace to date as a result. In contrast, wage inflation slowed to a modest rate. Prices charged for KSA non-oil private sector goods and services rose at the fastest pace for seven months in January as firms took advantage of favourable business conditions.

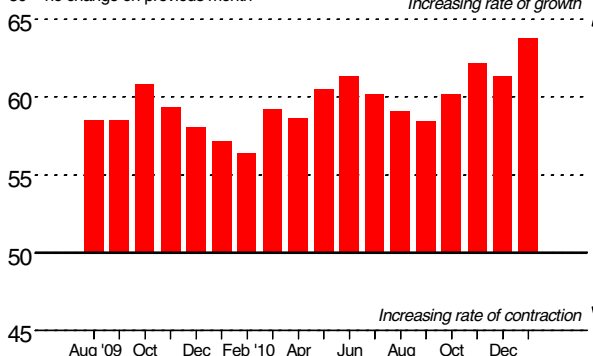
Key points

- PMI hit survey record peak.
- Staffing rose at solid pace.
- Purchasing cost inflation accelerated to series record high...
- ...while wage inflation moderated.

Historical Overview

SABB HSBC Saudi Arabia PMI

50 = no change on previous month



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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, Markit Press Office
Telephone +44-20-7260-2047
Mobile +44-781-581-2162
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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