

SABB HSBC Purchasing Managers' Index™ Press Release

compiled by markit

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SABB HSBC Saudi Arabia PMI™

Strong rates of output and new order growth in March, but inflationary pressures remained elevated

Summary

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

Saudi Arabian non-oil private sector companies continued to benefit from favourable business conditions in March. Solid market demand boosted new order levels and led to another strong rise in output. There were indications that increased activity in the construction sector had supported domestic demand. However, firms continued to face sharply rising input costs and subsequently output prices increased at a stronger pace.

Registering 62.8 in March, the headline PMI was down on February's reading of 63.4. Nevertheless, the latest figure was consistent with a considerable improvement in operating conditions across the Saudi Arabian non-oil private sector.

Favourable economic conditions and increased activity in Saudi Arabia's construction industry were noted as key reasons for stronger market demand in March, according to panellists. Overall incoming new work rose at a sharp and accelerated pace on the month. Although foreign demand remained solid, new export business growth slowed since February.

Rising levels of new work put pressure on capacity during March. Despite another solid rise in employment, backlogs accumulated at a modest pace. Reports indicated that, in some cases, technical difficulties had caused delays to production processes.

In light of current inflows of new work, and in anticipation of further improvements in demand in the near future, KSA non-oil private sector firms raised buying activity and input stocks at marked rates in March.

Despite stronger demand for inputs, supplier delivery times continued to shorten during March, and at a faster rate. Panellists cited efficient service and competition amongst suppliers as the principal reasons for faster deliveries.

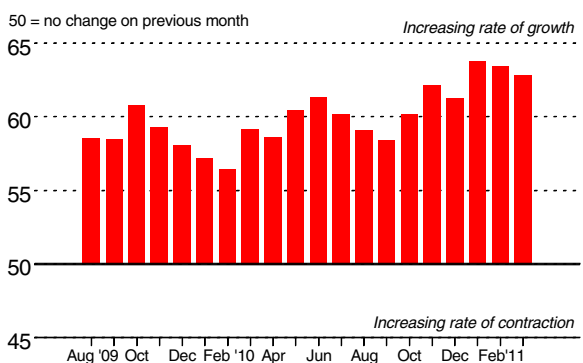
Purchase price inflation eased during the latest survey period to the weakest for three months. Nevertheless, the rate of increase remained substantial, which companies linked to higher fuel and raw material costs. Respondents made

Key points

- Output and new business both increased strongly.
- Employment growth remained solid.
- Staff cost inflation at three-month high ...
- ...but purchase price inflation eased marginally.

Historical Overview

SABB HSBC Saudi Arabia PMI



particular reference to increased prices for oil, metals, food and construction-related items. In contrast, staff costs rose at the fastest rate since last December as employees were rewarded for better company performance.

To defend profit margins from rising input costs, Saudi Arabian non-oil private sector firms increased their charges in March. Output price inflation was solid and the most pronounced for nine months.

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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.

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 7,500 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\$2,455 billion at 31 December 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 2,000 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 marketplace. 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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