

## SABB HSBC Purchasing Managers' Index™ Press Release

compiled by markit

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# SABB HSBC Saudi Arabia PMI™

Output growth remained strong in April, 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 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.**

There was little evidence that political problems in other parts of the Middle East were significantly affecting the performance of Saudi Arabia's non-oil private sector economy at the start of Q2. Although rates of expansion in output and new business slowed since March, they remained above their respective series trends. Firms demonstrated their confidence in current and future business conditions by taking on new staff and stock building. However, input price inflation accelerated to a series record high and global instabilities contributed to rising purchasing costs.

Almost unmoved from March's reading of 62.8, the headline PMI posted 62.7 in April. Although it was the lowest for four months, the latest reading was still above the series trend and signalled another marked improvement in operating conditions across the KSA non-oil private sector.

New business rose strongly during the latest survey period, albeit at a slightly weaker rate. Respondents commented on improved economic conditions and more business from the Government. Data suggested that the domestic market remained the main driver of new order growth.

To accommodate gains in new business, KSA non-oil private sector firms raised output during April. However, the rate of growth was the mildest for six months. By company size, large firms posted a sharper increase in activity than SMEs.

A combination of greater market demand, pipeline delays due to the crisis in Japan and backlogs at the country's ports led to a faster build up of outstanding business at KSA non-oil private sector firms in April. The rate of accumulation was a joint-series record as a result.

Companies raised both employment and purchases in April in order to keep up with rising business requirements. Job creation was the most marked since December 2009, while buying activity increased at a similar pace to that recorded in March.

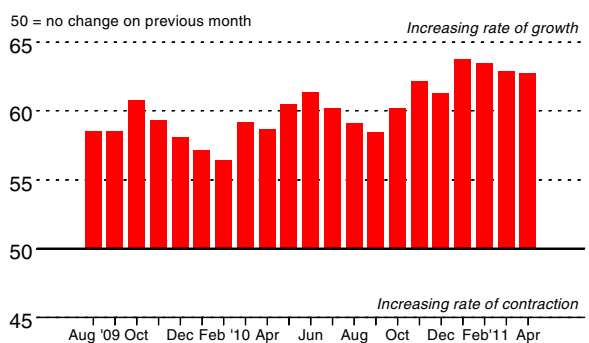
Average vendor performance continued to improve in April, albeit at the weakest rate in the survey history. Panel

### Key points

- PMI at four-month low.
- Expansions in both activity and new work eased...
- ...while job creation picked up.
- Input price inflation reached joint-series record high.

### Historical Overview

#### SABB HSBC Saudi Arabia PMI



members indicated that the slowdown reflected supply disruptions from the Japan crisis and delays at customs.

As a result of higher input acquisitions, input stocks at Saudi Arabian non-oil private sector firms accumulated at a steeper pace. Panellists stated that holdings were increased partly in expectation of future new order growth and also to safeguard against supply disruptions.

Purchasing price inflation accelerated to a joint-series record high during April, pushed up by rising raw material and fuel costs. Firms stated that unfavourable exchange rates and political instabilities in the Middle East and North Africa contributed to higher commodity prices. Staff cost inflation also picked up on the month. Overall input costs rose fastest at large companies.

To protect profit margins from rising input costs, firms increased their tariffs in April. Charge inflation was the sharpest for almost a year.

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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:**

HSBC is one of the largest banking and financial services organisations in the world, with a market capitalisation of US\$180bn at 31 December 2010. We are headquartered in London. As 'The world's local bank', we combine the largest global emerging markets banking business and a uniquely cosmopolitan customer base with an extensive international network and substantial financial strength. HSBC operates through long-established businesses and has an international network of some 7,500 offices in 87 countries and territories in six geographical regions; Europe, Hong Kong, Rest of Asia-Pacific, the Middle East, North America and Latin America.

**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](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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