

SABB HSBC Purchasing Managers' Index™ Press Release

compiled by markit

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SABB HSBC Saudi Arabia PMI™

New order growth accelerated in June, boosted by series record rise in new export business

Summary

The Saudi British Bank "SABB" has published the results of the headline SABB HSBC Saudi Arabia Purchasing Managers' Index™ (PMI™) for June 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 seasonally adjusted SABB HSBC Saudi Arabia PMI™ rose marginally in June, after falling over the previous four months. The latest reading of 62.8 (up from 62.6 in May) was the highest since March and signalled a further strong improvement in operating conditions across the KSA non-oil private sector economy.

Latest data signalled a pick-up in overall new business growth in June. The rate of increase was the most marked for five months, partly reflecting a series record increase in new export orders. Strong market conditions (both at home and abroad), company expansions and competitive pricing were all reasons for improved new business performance, according to respondents.

Further gains in new work led firms to raise activity during June. KSA non-oil private sector output increased at the sharpest rate for three months as a result. Company size data suggested that medium firms expanded activity at a faster rate than large or small firms at the end of Q2.

Backlogs of work were almost unchanged in June, following moderate growth in May. This was despite a stronger inflow of new orders. Anecdotal evidence suggested that the slowdown reflected efforts by some firms to keep on top of workloads.

To accommodate greater business requirements, KSA non-oil private sector firms continued to recruit new employees in June, albeit at a weaker rate than in May. Several companies made particular note of the hiring of locals – possibly reflecting the incentives offered by the new 'Nitaqat' scheme recently announced by the Labour Ministry. Job creation was faster at large and medium firms than at small companies.

Buying activity remained strong in June, with around 33% of monitored companies acquiring additional inputs to meet demand. Consequently, input stocks continued to build.

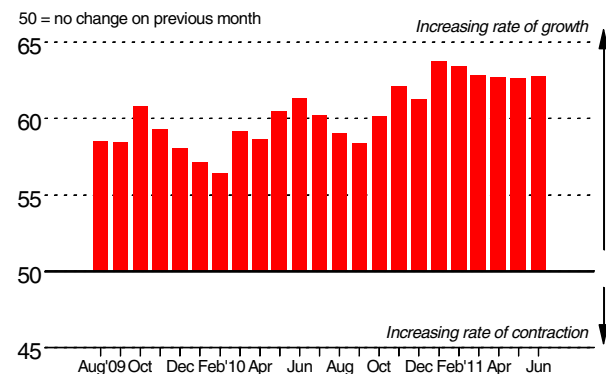
Efficient service, due to good business relationships and strong competition amongst suppliers, led to improved vendor performance in June. Lead times have shortened in every

Key points

- PMI at three-month high in June.
- Output and new business expanded at sharper rates.
- Job creation slowed, but remained solid.
- Input price pressures eased.

Historical Overview

SABB HSBC Saudi Arabia PMI



month of the survey history, although the latest improvement was slower than in May.

Overall input price pressures eased during the latest survey period, although remained elevated by historical standards. This moderation in inflation reflected less marked increases in both purchasing and staff costs. Output price inflation also eased in June but, like input price inflation, remained above its long-run trend.

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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:

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About Markit:

Markit is a leading, global financial information services company with over 2,200 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:

Purchasing Managers' Index™ (PMI™) surveys are now available for 32 countries and also for key regions including the Eurozone. They are 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. To learn more go to www.markit.com/economics.

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