

SABB HSBC Purchasing Managers' Index™ Press Release

compiled by markit

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SABB HSBC Saudi Arabia PMI™

PMI hits new low in September as output growth slows further and employment levels fall

Summary

The Saudi British Bank "SABB" has published the results of the headline SABB HSBC Saudi Arabia *Purchasing Managers' Index™ (PMI™)* for September 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 pace of improvement in Saudi Arabian non-oil private sector operating conditions eased further at the end of the third quarter, as growth rates of both output and new orders cooled to series-record lows and employment fell for the first time in the survey history. The PMI slipped further, reaching a new low of 54.5 (from 57.9 in August). Meanwhile, September data showed a further slowdown in input price inflation.

Growth of incoming new business continued to slow during the latest survey period, reaching a new survey low. Nevertheless, the rate of increase remained strong and panellists commented on a favourable economic environment and new product launches. Some companies indicated that government spending had improved business conditions. Overall new work increased to the greatest extent at medium-sized companies. Meanwhile, new export orders rose at the mildest rate for ten months.

Expansions in output, buying activity and input stocks all slowed further during September, in line with the easing trend in new order growth. In each case, the rate of increase was a series-record low.

Lead times shortened for the second month running in September, and to a greater extent than in August. Reports indicated that better supplier performance resulted from sufficient capacity at their units and efficient service. However, the rate of improvement remained modest by historical standards.

There was evidence of spare capacity at Saudi Arabian non-oil private sector firms in September, as both backlogs and staffing levels fell slightly. Outstanding work declined for the first time since December 2009, while employment contracted for the first time in the series history.

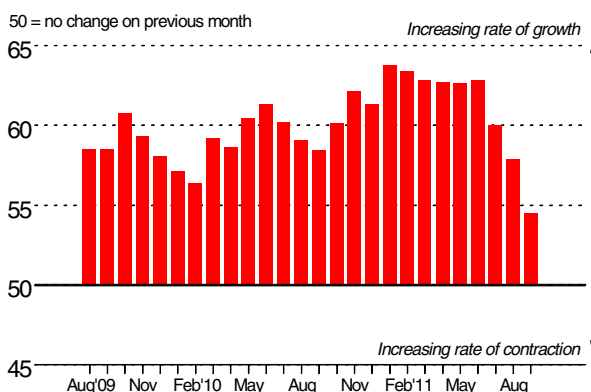
September's price indicators pointed to further moderations in rates of inflation of both input costs

Key Points

- Output and new order growth both at series-record lows
- Drop in staffing recorded for first time in series history
- Outstanding work falls for first time since December 2009
- Price pressures continue to ease

Historical Overview

SABB HSBC Saudi Arabia PMI



and charges. Overall input costs increased at the slowest rate for eight months, which reflected milder rises in both purchase and staff costs. Output prices, meanwhile, increased at the weakest pace in the survey history.

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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 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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