

SABB HSBC Purchasing Managers' Index™ Press Release

compiled by markit

Embargoed until: 08:30 (RIYADH), 31 October 2011

SABB HSBC Saudi Arabia PMI™

PMI rises in October, but remains close to September's series-record low

Summary

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

Please note that following re-estimation of recent seasonality, the seasonally adjusted data for a number of variables have been revised from figures published last month.

After a relatively subdued September, when output growth hit a series record low, expansion of new work slowed sharply and employment fell for the first time in the survey history, October's PMI data showed an improved trend. Although remaining well below highs seen earlier in the year, expansions in both activity and new orders picked up, while staffing levels returned to growth (albeit marginal).

Reflecting improvements in its key components, the PMI registered 56.7 in October (up slightly from September's upwardly-revised series low of 56.3), and signalled a stronger gain in the health of Saudi Arabia's non-oil private sector.

Boosted by better market conditions and advertising campaigns, demand for Saudi Arabian non-oil private sector goods and services rose in October, supporting a sharper rise in total new orders. New export business also increased at a faster rate than in September. Consequently, companies stepped up their activity levels, purchased additional inputs and raised inventories. Output and buying activity growth rates were robust but below-average. The corresponding increase in stocks was much more modest, reflecting largely sufficient holdings at many companies.

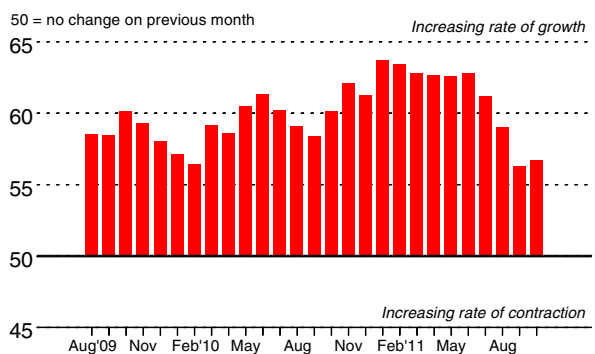
Despite stronger growth of new business, firms largely kept on top of their workloads in October, as shown by a marginal rise in backlogs and broadly no-change in employment levels. Workload management was aided by a further improvement in average vendor performance – lead times shortened to the greatest extent for one-and-a-half years.

Key Points

- Output and new order growth both accelerate
- Employment levels broadly unchanged
- Input cost pressures tick up slightly...
- ... while charge inflation hits series record low

Historical Overview

SABB HSBC Saudi Arabia PMI



October's price indicators pointed to only a fractional rise in input cost pressures and a further easing in charge inflation to a series record low. Both purchase prices and staff costs rose more sharply during the latest survey period, which panellists respectively linked to higher raw material prices and better company performance. Meanwhile, selling prices rose only modestly as the vast majority of monitored firms maintained their tariffs since September.

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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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