SABB HSBC Purchasing Managers' Index™ Press Release

compiled by markit

Embargoed until: 08:30 (RIYADH), 3 January 2012

SABB HSBC Saudi Arabia PMI™

Total output and new order growth suffer slightly in December, but new export business rises at stronger pace

Summary

The Saudi British Bank "SABB" has published the results of the headline SABB HSBC Saudi Arabia Purchasing Managers' Index[™] (PMI[™]) for December 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 PMI slipped slightly to 57.7 at the end of the fourth quarter, from 58.1 in November. The fall in the index signalled a weaker improvement in business conditions across Saudi Arabia's non-oil private sector. Moreover, the headline index remained below its longrun average (59.9).

Behind the weaker PMI reading were slower expansions in its two largest components -- output and total new work. Employment and input stocks, two of its other components, rose at slightly faster rates

Incoming new work to the Saudi Arabian non-oil private sector continued to rise during the latest survey period, bolstered by a sharper expansion in new export business. However, the overall rate of growth of total new business moderated since November. This was reflected by a slower increase in activity. Where new business and output rose in December, panel members commented on strong economic conditions, good demand, competitive selling prices and favourable exchange rates. Large firms saw the most pronounced increase in new work.

Further growth of new orders, alongside expectations of improved demand, led companies to build input stocks and take on additional staff in December. Both buying activity and input holdings rose at sharper rates, although the rise in input stocks remained weak in relation to its historic trend. Employment rose at the fastest pace since August. Large firms recruited new personnel at a faster rate than SMEs.

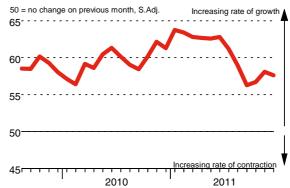
Respondents noted faster input deliveries in December. However, these improvements in vendor performance did not prevent further backlog accumulation in the non-oil private sector. Outstanding business rose for the third month running and at a sharper pace. Panellists attributed more work-in-hand to new order gains.

Key Points

- PMI falls slightly to 57.7
- Weaker expansions seen in both activity and total
- Input cost pressures cool
- Charge inflation eases to near-stagnation

Historical Overview

SABB HSBC Saudi Arabia PMI



Source: Markit Economics

Price pressures cooled in December, with both purchase prices and staff costs rising at weaker rates, as well as charge inflation easing to near-stagnation. The vast majority of the survey panel maintained selling prices on the month.







For further information, please contact:

SABB

Ibrahim Abo-Mouti, Head of Corporate Communications Telephone +966-1-276-4041 Email <u>ibrahimabomouti@sabb.com</u> Abdul Nasser Al Salti, Senior Manager, Media Relations Telephone +966-1-276-4450 Email abdulnasser.alsalti@sabb.com

HSBC

Simon Williams, Chief Economist, HSBC Middle East & North Africa Telephone +971-4-423-6925 Email simon.williams@hsbc.com

Markit

Gemma Wallace, Economist Telephone +44-1491-461-075 Email gemma.wallace@markit.com Rachel Harling, Corporate Communications Telephone +44-20-7064-6283 Mobile +44-782-789-1072 Email rachel.harling@markit.com

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 world's largest banking and financial services organisations and one of the industry's most valuable brands. We provide a comprehensive range of financial services to around 89 million customers through two customer groups, Retail Banking and Wealth Management (formerly Personal Financial Services) and Commercial Banking, and two global businesses, Global Banking and Markets and Global Private Banking.

Our international network covers 87 countries and territories in six geographical regions: Europe, Hong Kong, Rest of Asia-Pacific, Middle East and North Africa, North America and Latin America. With listings on the London, Hong Kong, New York, Paris and Bermuda stock exchanges, shares in HSBC Holdings plc are held by over 220,000 shareholders in 129 countries and territories.

About Markit:

Markit is a leading, global financial information services company with over 2,300 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.

The intellectual property rights to the HSBC Saudi Arabia PMI provided herein is owned by Markit Economics Limited. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without Markit's prior consent. Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. *Purchasing Managers' Index™* and *PMI™* are trade marks of Markit Economics Limited, HSBC use the above marks under licence. Markit and the Markit logo are registered trade marks of Markit Group Limited.