

SABB HSBC Saudi Arabia PMI™

Manufacturing output and new business both fall at slower rates in December

Summary

The Saudi British Bank "SABB" has published the results of the headline SABB HSBC Saudi Arabia Purchasing Managers' Index™ (PMI™) for January 2012 – 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.

Rising to 60.0 in January, from 57.7 in December, the PMI signalled a robust start to the year for firms operating in Saudi Arabia's non-oil private sector. The improvement in business conditions was supported by an acceleration of already strong growth rates of both new orders and output over the month.

New business received by Saudi Arabian non-oil producing businesses increased at a marked rate during January. Overall new order growth accelerated to a six-month high, while new business from abroad grew at a stronger rate for the second successive survey period. As a result, backlogs of work were accumulated for the fourth month running, and at the fastest pace since April 2011.

The improvement in demand and higher backlogs encouraged companies to increase their output levels further in January. The rate of expansion was marked, and stronger than in any month in the second half of 2011. A number of panellists also perceived that an improved business environment contributed to the increase.

Strong business sentiment was also apparent as businesses increased employment and purchasing activity to help meet existing and expected future activity requirements. The pace of job creation quickened for the third consecutive month during January, but nevertheless remained below the long-run series average. Greater acquisitions of inputs boosted stocks held by non-oil producing companies. The rate of expansion in purchases held quickened to its fastest pace in six months.

However, revenue improvements were offset to some extent by rising input costs. Strengthening cost pressures were amplified by higher purchasing prices during January. Non-oil producing firms registered a robust rate of purchasing price inflation, a marked difference to the near one-and-a-half-year-low recorded in

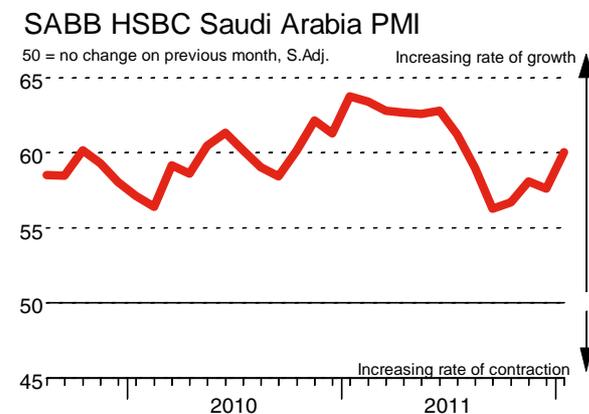
December. The rate at which salary payments increased also quickened over the month.

Despite growing demands, vendor performance continued to improve, with lead times shortening at a faster pace. The reduction in suppliers' delivery times extended the current sequence of improvements to six months.

Key points

- Business conditions improve at an accelerated rate
- Output and new order indices hit seven and six-month highs respectively
- Employment growth quickens to fastest pace since last August

Historical Overview



For further information, please contact:

SABB

Ibrahim Abo-Mouti, Head of Corporate Communications
Telephone +966-1-276-4041
Email ibrahimabomouti@sabb.com

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

Richard Clarke, Economist
Telephone +44-1491-461-006
Email richard.clarke@markit.com

Rachel Harling, Corporate Communications
Telephone +44-20-7064-6283
Mobile +44-782-789-1072
Email rachel.harling@markit.com

Notes to Editors:

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:

HSBC Holdings plc, the parent company of the HSBC Group, is headquartered in London. The Group serves customers worldwide from around 7,500 offices in over 80 countries and territories in Europe, the Asia-Pacific region,

North and Latin America, and the Middle East and North Africa. With assets of US\$2,716bn at 30 September 2011, HSBC is one of the world's largest banking and financial services organisations.

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 market place. 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 license. Markit and the Markit logo are registered trade marks of Markit Group Limited.