# SABB HSBC Saudi Arabia PMI™

# PMI indicates strongest improvement in health of non-oil economy for nine-months

## **Summary**

The Saudi British Bank "SABB" has published the results of the headline SABB HSBC Saudi Arabia Purchasing Managers' Index™ (PMI™) for April 2012 – a monthly report issued by the bank and HSBC. It reflects the economic performance of Saudi Arabian non-oil producing private sector companies through the monitoring of a number of variables, including output, orders, prices, stocks and employment.

April PMI data was reflective of strong demand conditions in the Saudi Arabian non-oil private sector economy. Growth of both output and new business accelerated from March readings, taking the latter above its series trend. Furthermore, firms demonstrated their confidence in current and future business conditions by taking on new staff, increasing purchasing activity and accumulating stocks.

Rising from March's reading of 58.7, the headline PMI posted 60.4 in April. Registering above the series trend, it was the highest reading for nine months, and signalled another marked improvement of operating conditions across the KSA non-oil private sector.

New business rose markedly during the latest survey period, and at an accelerated rate. Respondents commented on improved demand conditions and more business from Government contracts. Data suggested that the domestic market remained a key driver of new order growth.

To accommodate gains in new business, KSA non-oil private sector firms raised output during April. The rate of growth was sharp and above the trend for 2012 so far.

With new order growth continuing to outstrip the expansion in output, levels of unfinished business continued to build at KSA non-oil private sector companies. The accumulation of backlogs was solid, and the seventh in as many months.

In order to keep up with rising business requirements, companies raised both employment and purchases during April. Job creation was the most marked for nearly a year, while buying activity increased at a joint series-record pace.

As a result of higher acquisitions, input stocks at Saudi Arabian non-oil private sector firms accumulated at a steeper pace. Panellists stated that holdings were increased as expectations of new order growth were positive.

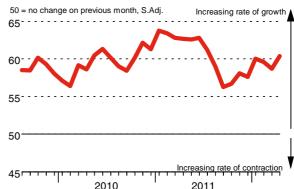
Cost inflation accelerated during April to a new survey record, pushed up by higher purchasing prices for raw materials and fuel, as well as higher staff costs. To protect profit margins, and in light of strong demand, non-oil private sector firms increased their own tariffs at a solid pace.

# **Key points**

- Operating conditions improve at quickest rate for nine months as growth rates of both new orders and output improves
- Purchasing activity joint-strongest in survey history
- Headcounts rise at fastest pace since May 2011
- Backlogs accumulated for seventh successive survey period

## **Historical Overview**

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Sources: Markit, HSBC.







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### **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<sup>TM</sup> (PMI<sup>TM</sup>)* 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 <a href="mailto:economics@markit.com">economics@markit.com</a>.

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Purchasing Managers' Index<sup>TM</sup> (PMI<sup>TM</sup>) 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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