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SABB HSBC Saudi Arabia PMI™

PMI points to further improvement in private sector business conditions during June

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.

The Saudi Arabian non-oil private sector continued to show considerable resilience in the face of a global economic slowdown in June, with output, new orders and employment all up at rates little-changed from one month previously. Cost pressures meanwhile also remained relatively stable.

June saw the seasonally adjusted SABB HSBC Saudi Arabia Purchasing Managers' Index[™] (PMI[™]) dip from 60.4 in May to 59.7, signalling a further, albeit slightly slower, improvement in overall operating conditions across the KSA non-oil private sector economy.

Total output levels increased at a marginally faster rate in June, albeit one that was still below the average recorded since data collection started almost three years ago. Anecdotal evidence linked the rise in activity to improving economic conditions, particularly in the domestic market, and an associated rise in incoming new orders.

June data showed a further marked rise in total new work placed with non-oil private sector business in Saudi Arabia, which survey respondents partly attributed to greater efforts in the areas of marketing and sales. New export orders also increased on the month. In both cases, growth was slightly weaker than in April and May.

Purchasing activity followed a similar trend in June, increasing at a marked rate that was nevertheless the slowest recorded so far this year. Anecdotal evidence showed that firms increased input buying to satisfy rising output requirements, but also to accumulate preproduction stocks. Indeed, stocks of purchases were built at a rate that was only fractionally down on May's 12-month record. Suppliers' delivery performance meanwhile continued to improve in spite of the increased demand for inputs.

Employment levels rose for the ninth successive month during June. Where job creation was recorded, this was linked by respondents to increases in current and expected workloads. That said, the overall rate of job creation was the weakest for three months.

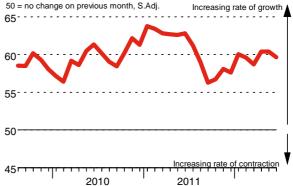
Overall input cost inflation facing KSA private sector companies was broadly unchanged since the preceding survey period, and strong by the historical standards of the series. Output prices were raised as a result, though the rate of inflation was the weakest for four months amid stronger competitive pressures.

Key points

- New orders rise on improving economic conditions, leading to strong output growth
- International new business up solidly
- Staffing levels increase, but at slower rate
- Input price inflation remains steep

Historical Overview

SABB HSBC Saudi Arabia PMI 50 = no change on previous month, S.Adj. Inci



Sources: Markit, HSBC







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

Phil Smith, Economist
Telephone +44-1491-461-009
Email phil.smith@markit.com

Caroline Lumley, Corporate Communications Telephone +44-20-7260-2047 Mobile +44-7815-812-162 Email caroline.lumley@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' IndexTM (PMITM)* 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.

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Purchasing Managers' IndexTM (PMITM) 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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