

SABB HSBC Saudi Arabia PMI™

July sees PMI dip to lowest level since December 2011

Summary

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

July data signalled a slight slowdown in the rate of expansion of Saudi Arabia's non-oil private sector economy. Output and new orders both grew at weaker rates, though job creation was maintained at a pace that was unchanged since the previous survey period. Meanwhile, rates of input and output price inflation were the weakest in 2012 so far.

Business conditions facing KSA private sector firms continued to improve during July, as signalled by the seasonally adjusted SABB HSBC Saudi Arabia Purchasing Managers' Index™ (PMI™) posting 58.1. However, down from 59.7 in June, the index was the lowest since last December and below the average recorded since data collection started three years ago.

Output levels and new order intakes both increased at slower rates in July – the weakest for nine and seven months respectively. Nevertheless, rates of growth in each case were still marked overall, with businesses continuing to add to their payroll numbers as a result.

New orders placed with KSA private sector businesses from international clients increased again during July. However, growth was at a four-month low and down on the rate of expansion of total new business, implying the domestic economy remained a key factor behind ongoing expansion.

July saw backlogs of work decrease for the first time since last September, and for only the second month in a period that stretches back over two-and-a-half years. That said, the rate of decline was only marginal overall.

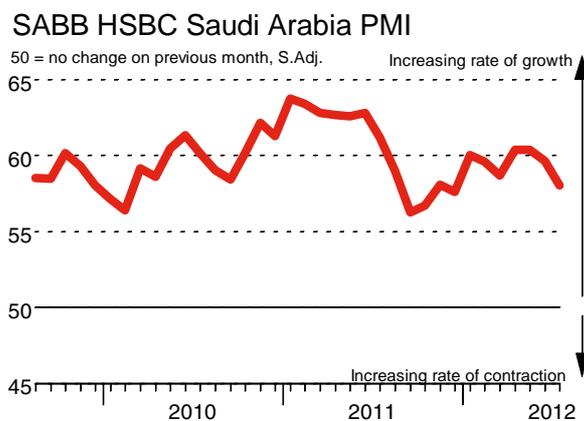
In line with the trends in activity and new business, purchasing activity and pre-production inventory levels at Saudi Arabia non-oil private sector firms both increased at slower rates during July. Meanwhile, data showed that suppliers' delivery times shortened for the twelfth consecutive month, and at a rate that was the steepest since April. Reports from survey respondents suggested that a combination of competition among vendors, buyer demands and improved payment practises had led to faster lead times.

Input price inflation eased in July to the slowest since last December, as both purchase prices and labour costs grew at slower rates. In fact, salaries and wages increased only slightly on average over the month. Output price inflation also eased to a seven-month low in July, and was only modest compared to the historical trend.

Key points

- Headline index down on slower growth in output and new orders
- Rate of job creation unchanged since June
- Inflationary pressures soften
- Backlogs reduced for first time in ten months

Historical Overview



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™ (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.

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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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