

# SABB HSBC Saudi Arabia PMI™

## PMI signals continued improvement in business conditions

### Summary

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

At 58.3 in August, up fractionally from 58.1 in July, the seasonally adjusted PMI index pointed to another robust improvement in business conditions facing non-oil private sector companies operating in Saudi Arabia. Behind the slight uptick in the headline number was a more marked increase in incoming new business, which anecdotal evidence attributed to a range of factors including greater sales and marketing efforts and improving market conditions. In addition, a number of firms also linked higher intakes of new work to increased construction activity. New work from foreign clients also increased during August, though the rate of growth was at a 21-month low.

Output levels at Saudi Arabia non-oil private sector businesses increased markedly in August. Unlike the trend in new orders, however, growth of activity was the weakest since last October. Job creation also eased slightly, with overall employment levels rising at the slowest pace for five months.

Backlogs of work at KSA non-oil private sector companies accumulated for the tenth time in the past 11 months in August, after falling marginally during the previous survey period. The increase was solid compared to the historical series trend and generally associated by respondents with greater intakes of new business.

With workloads increasing on the month, purchasing activity among KSA non-oil private sector companies continued to rise. The pace of expansion was broadly unchanged from that registered in July, and sufficient for a further (albeit weaker) increase in stocks of purchases. Many firms that built pre-production inventories noted expectations for growth in activity over the coming months.

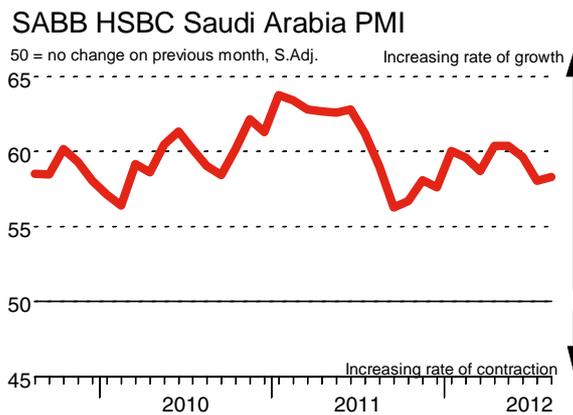
Despite input buying increasing, suppliers' delivery times shortened again during August. Competition among vendors and faster payments were reportedly behind the improvement in performance, which was of a similar magnitude to that registered one month previously.

August data showed that prices charged by businesses operating in Saudi Arabia's non-oil private sector economy decreased for the first time in over three years of data collection. Although only slight, the reduction in selling prices contrasted with a further rise in average costs. Overall input price inflation was slightly stronger than July's seven-month low, and underpinned by growth of both purchasing and staff costs. The former rose relatively quicker over the month, with the costs of a range of raw materials pushed higher by stronger demand.

### Key points

- Headline index up slightly from July's seven-month low
- Output growth slows despite accelerated increase in new work
- New export orders rise at slowest rate since November 2010
- Output prices fall for first time in three-year series history

### 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](mailto: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](http://www.markit.com/economics)

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