SABB HSBC Purchasing Managers' Index™ Press Release

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compiled by markit

SABB HSBC Saudi Arabia PMI™

Strong growth of output and new orders continued at start of Q4 2012

Summary

The Saudi British Bank "SABB" has published the results of the headline SABB HSBC Saudi Arabia Purchasing Managers' Index™ (PMI™) for October 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 seasonally adjusted SABB HSBC Saudi Arabia PMI™ posted 59.8 in October, down slightly from September's four-month high of 60.3. The latest reading was in line with average for the 39-month survey history.

Underpinning the latest improvement in operating performance were further increases in both output and new business. Rates of expansion slowed marginally from recent highs, but nonetheless remained substantial and above survey averages. Companies reported that the domestic market remained the prime source of new orders, reflecting improving sentiment and successful marketing initiatives.

Levels of new export business also continued to rise in October, despite signs of slower growth of the global economy in recent months. Survey respondents mainly linked improved foreign demand to gains in new business from within the GCC.

Strong growth of new business increased the pressure on capacity in the non-oil producing sector. This was highlighted by a series-record increase in levels of work-in-hand (but not yet completed) in October. Subsequently, companies increased employment for the thirteenth successive month. The rate of jobs growth was solid, but slower than in the prior month and below the survey average.

Increased demand for their products and services improved the pricing power of Saudi Arabian non-oil producing companies in October. Average selling prices rose for the second successive month and at the fastest rate since June 2011. There were also reports of charges being raised in line with higher input costs.

Overall input prices posted a further increase during the latest survey period, reflecting higher staff costs and purchase prices. The steeper inflation was signalled for purchasing costs, which rose at the quickest pace for four months. Average wages and salaries were only moderately higher than in September, with the vast majority of companies reporting no change.

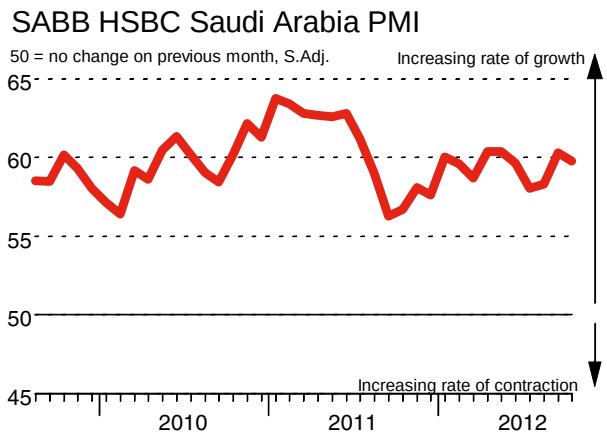
Purchasing activity rose sharply in October, continuing a trend observed throughout the survey history. Companies raised input buying volumes in response to increases in business activity and incoming new work.

Part of the rise in purchasing reflected a preference for expanded stock holdings, in line with panellists expectations of further output and demand growth in coming months. Average supplier performance also continued to improve.

Key points

- SABB HSBC PMI at 59.8 in October
- Growth of output and new orders remains substantial
- Jobs growth recorded for thirteenth month running
- Higher demand leads to improved pricing power

Historical Overview



Sources: Markit, HSBC.

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SABB ساب Local vision, international expertise

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.

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 is one of the world's largest banking and financial services organisations. With around 6,900 offices in both established and faster-growing markets, we aim to be where the growth is, connecting customers to opportunities,

enabling businesses to thrive and economies to prosper, and ultimately helping people to fulfil their hopes and realise their ambitions.

We serve around 60 million customers through our four global businesses: Retail Banking and Wealth Management, Commercial Banking, Global Banking and Markets, and Global Private Banking. Our network covers 84 countries and territories in six geographical regions: Europe, Hong Kong, Rest of Asia-Pacific, Middle East and North Africa, North America and Latin America. Our aim is to be acknowledged as the world's leading international bank.

Listed on the London, Hong Kong, New York, Paris and Bermuda stock exchanges, shares in HSBC Holdings plc are held by over 221,000 shareholders in 134 countries and territories.

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