SABB HSBC Purchasing Managers' Index™ Press Release

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SABB HSBC Saudi Arabia PMI™

PMI signals further improvement in non-oil producing sector business conditions

Summary

The Saudi British Bank "SABB" has published the results of the headline SABB HSBC Saudi Arabia Purchasing Managers' Index™ (PMI™) for November 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 monitoring a number of variables, including output, orders, prices, stocks and employment.

The Saudi Arabian non-oil producing private sector continued to report strong growth in production and new orders, while the level of outstanding business fell and the overall rate of input price inflation scored its lowest reading in 24 months. The headline PMI recorded a level of 57.0 in November, down from 59.8 in October.

Output levels rose further in November with more than one out of four respondents reporting an increase in production. According to anecdotal evidence, one of the main reasons behind the rise was higher new orders. The rise in new orders continued the trend seen throughout the history of the series to date. More than 40% of the panellists indicated an increase in the level of orders received and linked this to good market conditions. The rate of growth was, however, the lowest since September 2011.

The level of new export orders received at non-oil producing firms in Saudi Arabia continued to rise during November. Meanwhile, the level of outstanding business decreased for the first time in four months. The clearing up of pending orders was often mentioned as the primary factor highlighted by firms that reported lower levels of outstanding business.

Employment levels rose for the fourteenth successive month in November, and at a higher rate than in the previous month. Where an expansion of workforce numbers was reported, respondents linked this to increased business requirements. Companies increased salaries in November and partly attributed this to higher living costs.

Average lead times at non-oil producing firms in Saudi Arabia shortened in November, at a slightly stronger rate than in October with almost 20% of the respondents reporting an improvement in suppliers' delivery times. Mainly driven by increased purchase prices, average tariffs charged for goods rose compared with the situation in October.

The rate of purchase price inflation eased in November and scored its joint-lowest reading since July 2010. Hand-in-hand with slower purchase price inflation, the Overall Input Prices Index recorded its lowest level in 24 months.

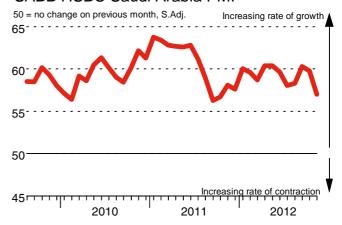
Driven by an increase in new orders, purchasing activity rose in November and led to solid growth in inventory holdings. More than one-in-three respondents indicated an increase in their quantity of items purchased.

Key points

- SABB HSBC PMI at 57.0 in November
- Output and new orders rise solidly
- Level of outstanding business falls for the first time in four months
- Overall input price inflation slows to a 2-year low

Historical Overview

SABB HSBC Saudi Arabia PMI



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

Oliver Kolodseike, Economist
Telephone +44-1491-461-003
Email oliver.kolodseike@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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