

SABB HSBC Saudi Arabia PMI™

Operating conditions in non-oil producing private sector improve again

Summary

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

Operating conditions in the Saudi Arabian non-oil producing private sector improved again in December, as the headline PMI posted a reading of 58.9, up from 57.0 in November. Output and new orders increased solidly and employment levels rose at the sharpest rate in three months. Meanwhile the overall rate of input price inflation weakened slightly.

December data signalled a further rise in production at non-oil producing private sector firms in Saudi Arabia, with almost 30% of respondents indicating higher output levels. New orders continued to increase, and at a higher rate than in the previous survey period. Panellists linked growth of new work to improved market conditions.

New export orders received at Saudi Arabian non-oil producing private sector firms rose further in December, and at the sharpest rate in 17 months. Improved economic conditions was given as one of the drivers behind the latest increase. Meanwhile, the level of outstanding work decreased slightly, and for the second month running.

Employment levels continued to rise during December, and at its sharpest rate in three months. More than 9% of companies indicated the hiring of additional staff and linked this to increased business. Concurrently, average prices charged by non-oil producing private sector firms in Saudi Arabia rose, which was partly driven by increased input costs.

Overall input prices increased, although the rate of input cost inflation weakened slightly. The rise in purchase prices was attributed to general inflationary pressures. Only a modest rise in average prices paid for salaries was reported at the end of 2012.

The latest survey data indicated an increase in the quantity of items purchased at non-oil producing private sector firms in Saudi Arabia. Higher business requirements was one of the drivers behind the expansion.

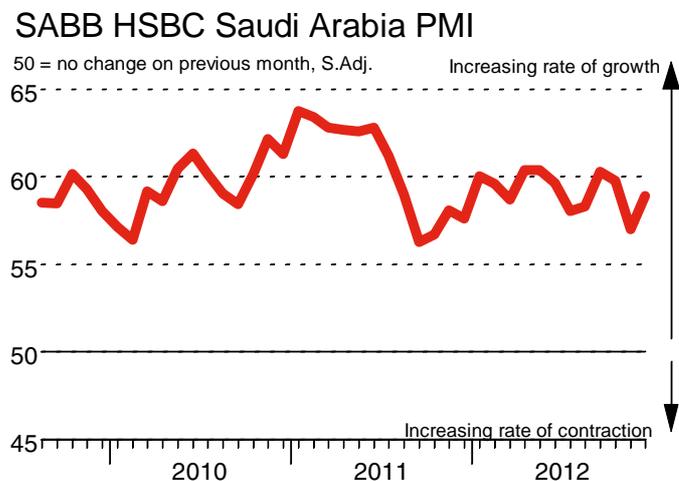
Input stocks accumulated in December, with more than 18% of respondents indicating a rise in pre-production inventories.

Average lead times shortened at Saudi Arabian non-oil producing private sector firms during December, pointing to a further improvement in vendor performance.

Key points

- SABB HSBC PMI at 58.9 in December
- Further increases in output and new orders
- Solid rise in employment levels
- Overall input price inflation down slightly

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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