SABB HSBC Purchasing Managers' Index™ Press Release

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compiled by markit

SABB HSBC Saudi Arabia PMI™

PMI signals promising start for 2013

Summary

The Saudi British Bank "SABB" has published the results of the headline SABB HSBC Saudi Arabia Purchasing Managers' Index™ (PMI™) for January 2013 – 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 remained positive at the beginning of 2013, as the headline PMI posted a reading of 58.1, down slightly from December's 58.9. Output and new orders increased solidly but input price inflation picked up. Meanwhile, employment levels continued to rise.

Output rose at Saudi Arabian non-oil producing private sector companies during January. The rate of growth slowed slightly, but remained marked. Almost 45% of respondents indicated an increase in new orders, which was mainly driven by improved economic conditions and good sales team efforts. New business from abroad increased in January, albeit at the slowest pace in five months.

The latest survey data signalled a decrease in work outstanding at non-oil producing firms in Saudi Arabia. Increased capacity helped support the clearance of work-in-hand. Employment levels increased further in January, and the rate of job creation was in-line with the overall series average. An increase in new orders was reported to be the main driver behind the latest rise in payroll numbers.

Output prices at non-oil producing private sector companies rose during January, and at a slightly sharper rate than in December. The rise in output prices was linked to higher input costs and increased market demand.

Overall input prices rose during January, and the rate of inflation picked up marginally. While the rise in purchase prices was driven by higher raw material prices and general inflationary pressures, panellists also reported higher average staff costs. This was linked to the hiring of additional employees.

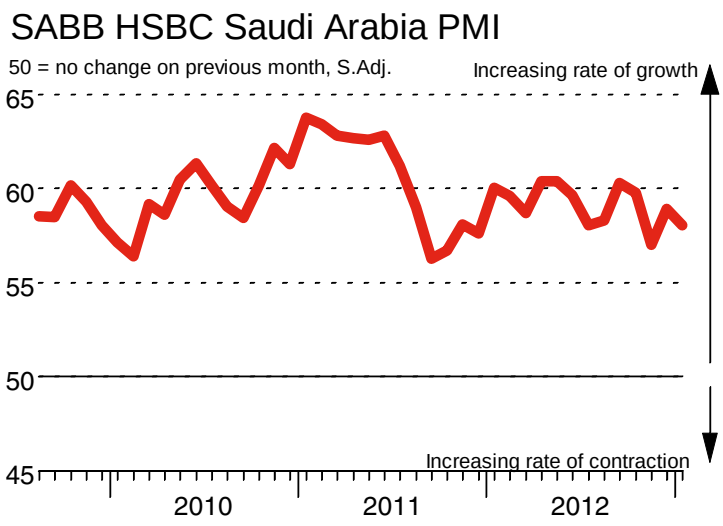
January data signalled a rise in purchasing activity at Saudi Arabian non-oil producing private sector firms, and the rate of growth was higher than in the previous survey period. Almost one-in-three respondents indicated an increase in buying, while only 6% recorded a decrease. Stocks of purchases continued to increase during January. There was some evidence that growth was driven by expectations of an increase in new orders and production over the coming months.

Meanwhile, suppliers' delivery times continued to shorten. Only 2% of companies reported a worsening in vendor performance, while 12% indicated an improvement. According to anecdotal evidence, the shortening of suppliers' delivery times was partly due to improved payment schedules.

Key points

- SABB HSBC PMI at 58.1 in January
- Growth of output eases slightly, but remains marked
- Further rise in employment levels
- Input price inflation picks up 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.

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.

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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

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