

SABB HSBC Saudi Arabia PMI™

Operating conditions in Saudi Arabia improve during February

Summary

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

February data pointed to a further improvement in operating conditions at non-oil producing private sector companies in Saudi Arabia. The headline PMI posted 58.5, up from 58.1 in January. Output and new order growth remained solid and employment levels continued to rise. Meanwhile, purchasing activity increased at a sharp rate.

Non-oil producing private sector firms in Saudi Arabia reported both higher output and increased new orders in February. While the rise in output was mainly driven by more new business and improving market conditions, the rise in new orders was attributed to marketing and sales efforts within companies. Moreover, the rate of growth in new work was sharp and higher than in the previous survey period. New export orders also continued to increase.

Employment levels at non-oil producing private sector firms rose further during February. According to anecdotal evidence, new business was the main reason for an increase in payroll numbers.

Backlogs of work at non-oil producing private sector firms in Saudi Arabia increased during February. While the rate at which backlogged work accumulated was only slight, survey data signalled the first increase in work-in-hand since October 2012. Meanwhile, suppliers' delivery times continued to improve, but at the weakest rate in 11 months.

The latest survey data pointed to higher prices charged by Saudi Arabian non-oil producing private sector companies. Increased input costs was commonly mentioned by companies that reported a rise in output prices.

Overall input prices also rose during February, and the rate of input cost inflation was broadly unchanged from January. Around 11% of companies recorded higher input costs and only 2% reported a fall. While the rate of purchase price inflation picked up, wage inflation fell to a 16-month low.

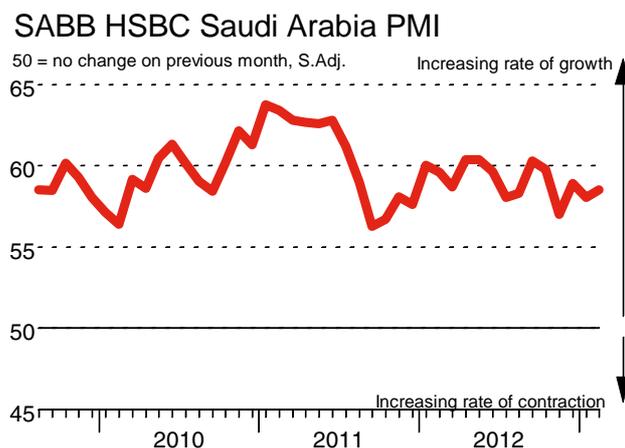
Purchasing activity increased during the latest survey period in Saudi Arabia's non-oil producing private sector. Around 35% of panellists reported an increase in quantity of items purchased, while less than 9% indicated a fall.

Stocks of purchases also rose. The rate of growth was broadly unchanged from January and remained above the series average. There was some evidence that expectations of more new business partly led to the accumulation of stocks of purchases.

Key points

- SABB HSBC PMI at 58.5 in February
- New order growth picks up slightly
- Further rise in employment levels
- Purchasing activity continues to increase at marked pace

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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