

SABB HSBC Saudi Arabia PMI™

PMI signals further solid improvement in operating conditions

Summary

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

The latest survey data pointed to a further solid improvement in overall business conditions at non-oil producing private sector companies in Saudi Arabia. The seasonally adjusted headline PMI posted 58.9 in March, up slightly from February's 58.5. Operating conditions have improved in every month since data collection began in August 2009.

Saudi Arabia's non-oil producing private sector companies reported further solid growth of output in March, and linked this to increased new business. The rise in order book volumes was mainly driven by ongoing improving economic and political conditions, according to panellists. New work grew at the sharpest rate in five months, with more than half of respondents indicating a rise in incoming business. New export business also increased at a marked rate.

Work-in-hand increased for the second month running in March, but the rate of backlog accumulation remained modest. Around 11% of companies recorded an increase in outstanding business and 10% reported a fall.

Vendor performance improved further during the latest survey period, and at a sharper rate than in February. According to anecdotal evidence, the shortening in average lead times was partly driven by improved payments and, in some cases, a change of suppliers.

March data signalled a further rise in employment levels at non-oil producing private sector companies in Saudi Arabia. Companies commonly mentioned increased new business as the main driver behind the latest hiring of staff.

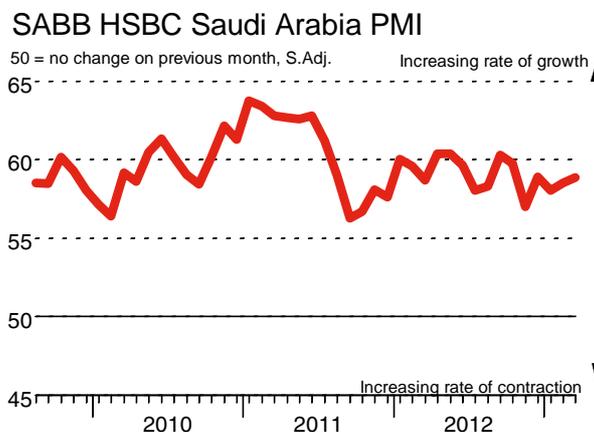
Overall input prices increased at the sharpest rate in six months during March. An increase in purchase prices and staff costs contributed to the latest rise in overall input prices. In response to higher input costs, non-oil producing private sector companies in Saudi Arabia raised their output charges in March. While output prices rose for the seventh successive survey period, the rate of charge inflation was only marginal.

Driven by higher new business, purchasing activity increased at the sharpest rate in six months during March. Almost one-in-three respondents reported an increase in buying, while only 5% indicated a fall. Meanwhile, inventory levels also increased in Saudi Arabia's non oil-producing private sector. There was some anecdotal evidence that the rise was driven by greater in work-in-hand and increased new business.

Key points

- SABB HSBC PMI at 58.9 in March
- Output continues to increase at marked rate
- New order growth at five-month high
- Overall input price inflation accelerates

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:

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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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