# SABB HSBC Purchasing Managers' Index™ Press Release

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# SABB HSBC Saudi Arabia PMI™

# Growth sustained in May, but at slower rate

# **Summary**

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

As has been the case throughout the survey history to date, operating conditions in Saudi Arabia's non-oil producing private sector strengthened during May. The degree of improvement eased, however, and the headline index posted a six-month low of 57.3, down from April's 58.0.

Although strong, May data signalled the weakest expansion in output levels since data collection began in August 2009, and anecdotal evidence suggested that the weaker growth rate was driven by generally slow market conditions. Growth of new work also weakened during the latest survey period, but remained sharp overall, as half of respondents indicated increased order book volumes. Concurrently, new export business increased at the weakest rate in nine months.

The solid rise in incoming new business was reflected in increased backlogs of work. Work-in-hand rose for a fourth successive month, and at the fastest pace in the current sequence. Meanwhile, staffing levels continued to rise, as companies responded to higher workloads. The rate of job creation was up slightly from April, but modest overall. Vendor performance improved during the latest survey period, as quicker delivery times had been agreed with suppliers to help meet production requirements.

Non-oil producing private sector companies in Saudi Arabia recorded increased overall input prices. The rate of cost inflation, however, eased and was the weakest in 30 months. While average staff costs rose at a slightly sharper rate than in April, the rate of purchase price inflation was the second-lowest in the series history. Weaker demand accounted for much of the slower increase, according to panellists.

The majority of Saudi Arabian non-oil producing private sector companies recorded unchanged output charges in May. The latest reading was only the second month of non-rising output prices in the series history and was partly driven by increased market competition.

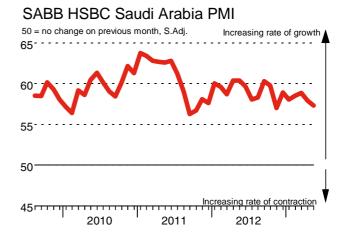
Purchasing activity continued to increase during May, as 30% of panellists indicated a rise in buying. Companies attributed the increase to more incoming new business. While the pace of expansion was solid, the latest reading was the weakest in nine months.

Saudi Arabia's non-oil producing private sector firms indicated rising input stock levels in May. Stocks of purchases have increased throughout the survey history, but the latest pace of expansion was below the series average.

# **Key points**

- SABB HSBC PMI at 57.3 in May
- Production increases at slowest pace in series history
- Weaker rise in new orders, with exports at the slowest pace for nine months
- Input price inflation eases

#### **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<sup>TM</sup> (PMI<sup>TM</sup>)* 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 <a href="mailto:economics@markit.com">economics@markit.com</a>.

#### 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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opportunities, enabling businesses to thrive and economies to prosper, and ultimately helping people to fulfil their hopes and realise their ambitions.

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Listed on the London, Hong Kong, New York, Paris and Bermuda stock exchanges, shares in HSBC Holdings plc are held by about 220,000 shareholders in 129 countries and territories.

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## **About PMIs:**

Purchasing Managers' Index<sup>TM</sup> (PMI<sup>TM</sup>) 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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