

## SABB HSBC Saudi Arabia PMI™

### Operating conditions improve at slowest pace in 21 months

#### Summary

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

Posting 56.6 in June, down from May's 57.3, the headline PMI signalled that overall operating conditions in Saudi Arabia's non-oil producing private sector economy continued to improve. However, the pace of improvement slowed for the third month running, and was among the weakest in the 47-month survey history.

June data indicated a further slowing of activity growth in Saudi Arabia's non-oil producing private sector. While output increased markedly, the rate of expansion was the weakest since data collection began in August 2009. Companies linked weaker growth to a slowdown in market demand.

In line with the trend for activity, new order growth slowed to a 21-month low. However, the rate of expansion was sharp overall, with 37% of panellists indicating an increase in order book volumes. Client demand from foreign markets also strengthened, and some panellists linked this to increased tourism. Meanwhile, employment levels rose further, albeit only slightly. There was some anecdotal evidence that the latest hiring of workers was driven by increased new business.

Overall input costs in Saudi Arabia's non-oil producing private sector increased in June, and at a slightly faster pace than in May. While general inflationary pressures and increased market demand accounted for much of the rise in purchase prices, increased living expenses were cited as a driver behind higher staff costs. Selling prices in Saudi Arabia's non-oil producing private sector were unchanged from the previous survey period in June. While some companies raised their charges in response to increased input costs, others left output charges unchanged to maintain competitiveness.

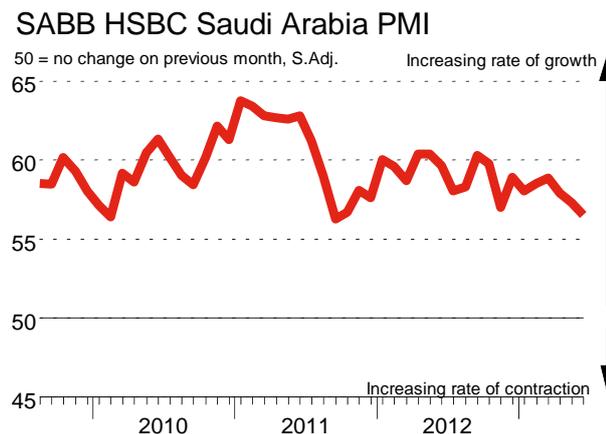
Levels of outstanding work increased in June, as companies indicated higher new business. The rate of expansion accelerated for a fourth month running, but was modest overall. Exactly 11% of panellists recorded increased work-in-hand, and 7% reported a decline. Meanwhile, suppliers' delivery times improved, but at the slowest pace since February.

Saudi Arabia's non-oil producing private sector companies reported a further rise in purchasing activity in June. Increased new business was mentioned by many panellists to have contributed to the rise in buying. Concurrently, pre-production inventories increased, with 13% of companies indicating an accumulation of stocks of purchases. According to anecdotal evidence, the latest rise was in response to higher business volumes.

#### Key points

- SABB HSBC PMI at 56.6 in June
- Activity growth slows to record-low during June
- Deceleration of new order growth
- Stagnation in output charges amid increase in input costs

#### 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](mailto:economics@markit.com).

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*Purchasing Managers' Index*<sup>™</sup> (*PMI*<sup>™</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](http://www.markit.com/economics)

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