## SABB HSBC Purchasing Managers' Index™ Press Release

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# SABB HSBC Saudi Arabia PMI™

## Activity growth slows further in July

#### **Summary**

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

At 56.6 in July, unchanged from June, the headline PMI signalled a further improvement in overall operating conditions in Saudi Arabia's non-oil producing private sector economy. However, the rate of improvement was the joint-weakest since data collection began in August 2009.

Output increased further in July, but the rate of expansion decelerated for the third month running and was the weakest in the 48-month survey history. Nevertheless, the overall expansion remained sharp, with 24% of companies reporting activity growth.

New order intakes also rose solidly, with panellists linking the increase to improving sales team efforts and good economic conditions. The rate of expansion was up slightly from June's 21-month low, but remained below the long-run series average. Meanwhile, demand from export markets rose at the slowest pace since November 2010.

Driven by increased new business, workforce numbers and levels of unfinished work rose in July. While the rate of job creation accelerated to the sharpest since March, backlogs of work accumulated at the slowest pace in four months. Concurrently, vendor performance improved, as faster delivery times had been agreed with suppliers to meet business requirements. Around 7% of respondents reported better delivery times, while only 1% indicated a worsening.

Overall input prices in Saudi Arabia's non-oil producing private sector increased further in July, with the rate of cost inflation broadly unchanged from the previous month. Survey respondents linked higher purchase prices to general inflationary pressures and increased raw material prices.

While input costs continued to rise, non-oil producing private sector companies in Saudi Arabia lowered their charges for the first time since last August, albeit only marginally. Increased market competition was the primary factor for the fall in selling prices, according to panellists.

Buying activity in Saudi Arabia's non-oil producing private sector increased markedly in July, with 32% of companies acquiring additional raw materials and semifinished goods. Respondents often attributed an increase in purchasing activity to higher business.

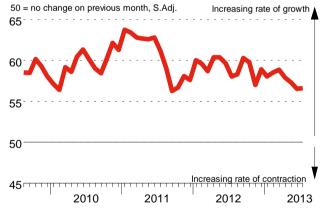
Stocks of purchases accumulated at the fastest pace in four months in July, with 12% of companies reporting increased holdings of inputs.

## **Key points**

- SABB HSBC PMI at 56.6 in July
- Weakest expansion in output since data collection began in August 2009
- New order intakes increase at marginally faster pace
- Companies lower their charges for first time since August 2012

### **Historical Overview**

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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.

## **HSBC:**

HSBC is one of the world's largest banking and financial services organisations, with around 6,600 offices in both established and faster-growing markets. We aim to be where the economic growth is, connecting customers to

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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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