# SABB HSBC Purchasing Managers' Index™ Press Release

Embargoed until: 08:30 (Riyadh), 3 September 2013

# SABB HSBC Saudi Arabia PMI™

# Growth of Saudi Arabia's private sector accelerates in August

#### **Summary**

The Saudi British Bank "SABB" has published the results of the headline SABB HSBC Saudi Arabia Purchasing Managers' Index™ (PMI™) for August 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 signalled a further improvement in operating conditions at Saudi Arabia's non-oil producing private sector firms. The headline PMI rose to a four-month high of 57.5 in August, up from July's 56.6. Operating conditions have improved in every month of the survey history to date.

Output rose at an accelerated pace in August, as 22% of survey respondents reported higher activity. Increased business was repeatedly mentioned as the main driver of the latest expansion. In line with stronger output growth was a solid rise in order intakes. The latest increase was partly driven by improved market conditions, and increased marketing and sales efforts. Growth was the sharpest since April. Meanwhile, client demand from foreign markets also strengthened.

Driven by higher purchase prices and increased staff costs, input prices in Saudi Arabia's non-oil producing private sector increased at the sharpest rate in four months in August. According to anecdotal evidence, the rise in purchase prices was partly attributed to general inflationary pressures and increased market demand.

In contrast to an accelerated increase in input costs, Saudi Arabia's non-oil producing private sector companies lowered their charges in response to increased market competition. Selling prices fell for the second month in succession, and at the second-sharpest rate in the 49-month series history.

As has been the case for most of the survey history to date, employment levels rose in August. Companies that hired additional workers often commented on higher production requirements. The latest rate of job creation eased slightly from July and was below the series average, as the majority of companies reported unchanged workforce numbers.

Backlogs of work accumulated at the fastest pace in a year-and-a-half in August, with almost 12% of panel members indicating higher volumes of unfinished work. Panellists linked the rise in incomplete orders to higher business.

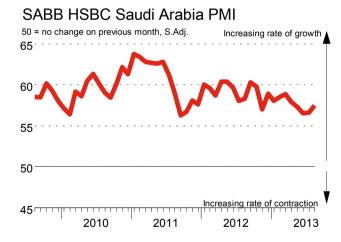
Increased sales was the main driver for the latest rise in purchasing activity at Saudi Arabia's non-oil producing private sector companies. The latest rate of increase was in line with that seen in July. Concurrently, stocks of purchases accumulated at the weakest pace since December 2011, with the vast majority of survey respondents indicating unchanged inventory levels.

Suppliers' delivery times shortened again in August. Panellists often linked the improvement to increased market competition.

# **Key points**

- SABB HSBC PMI at 57.5 in August
- Output growth strengthens
- New orders rise at fastest pace in four months
- Output charges fall despite rise in input cost inflation

#### **Historical Overview**



Sources: Markit, HSBC.







## For further information, please contact:

#### **SABB**

Ibrahim Abo-Mouti, Head of Corporate Communications Telephone +966-1-276-4041 Email ibrahimabomouti@sabb.com Yaser M Alamoodi, Manager, Corporate Communications Telephone +966-1-276-3731 Email yasermalamoodie@sabb.com

#### **HSBC**

Simon Williams, Chief Economist, HSBC Middle East & North Africa Telephone +971-4-423-6925 Email simon.williams@hsbc.com

#### Markit

Oliver Kolodseike, Economist
Telephone +44-1491-461-003
Email oliver.kolodseike@markit.com

Caroline Lumley, Corporate Communications Telephone +44-20-7260-2047 Mobile +44-7815-812-162 Email caroline.lumley@markit.com

#### **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 growth is, connecting customers to opportunities,

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

We serve around 55 million customers through our four global businesses: Retail Banking and Wealth Management, Commercial Banking, Global Banking and Markets, and Global Private Banking. Our network covers 80 countries and territories in six geographical regions: Europe, Hong Kong, Rest of Asia-Pacific, Middle East and North Africa, North America and Latin America. Our aim is to be acknowledged as the world's leading international bank.

Listed on the London, Hong Kong, New York, Paris and Bermuda stock exchanges, shares in HSBC Holdings plc are held by about 216.000 shareholders in 130 countries and territories.

#### **About Markit:**

Markit is a leading, global financial information services company with over 3,000 employees. The company provides independent data, valuations and trade processing across all asset classes in order to enhance transparency, reduce risk and improve operational efficiency. Its client base includes the most significant institutional participants in the financial market place. For more information please see <a href="https://www.markit.com">www.markit.com</a>

### **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

The intellectual property rights to the HSBC Saudi Arabia PMI<sup>™</sup> provided herein is owned by Markit Economics Limited. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without Markit's prior consent. Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers' Index<sup>™</sup> and PMI<sup>™</sup> are trade marks of Markit Economics Limited, HSBC use the above marks under license. Markit and the Markit logo are registered trade marks of Markit Group Limited.