SABB HSBC Purchasing Managers' Index™ Press Release

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

compiled by markit

SABB HSBC Saudi Arabia PMI™

Output growth accelerates to five-month high in September

Summary

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

Following a trend observed throughout the 50-month survey history, operating conditions in Saudi Arabia's non-oil producing private sector improved in September. The headline PMI registered a six-month high of 58.7, up from August's 57.5.

September data signalled a further rise in output levels at Saudi Arabian non-oil producing private sector firms, with the rate of expansion accelerating to a five-month high. Order book volumes also rose at a faster pace, driven mainly by higher construction business, increased sales efforts and improved market conditions.

Client demand from foreign markets strengthened substantially in September, with the growth rate of new export business accelerating to the fastest in the series history. Anecdotal evidence suggested that the rise in new export orders was mainly linked to good market conditions.

The latest survey results signalled a further increase in input costs in Saudi Arabia's non-oil producing private sector. The rate of overall cost inflation was broadly unchanged from August, and in line with the series average. Purchase prices rose at a faster pace, as companies faced a higher market demand for some items. Staff costs, on the other hand, increased at the weakest rate since April. Where higher wages were reported, panel members linked this to increased living costs and performance based pay rises.

In response to increased input costs, Saudi Arabia's non-oil producing private sector companies raised their selling prices in September. The rise in charges followed a two-month period of price discounting.

Employment levels in Saudi Arabia's non-oil producing private sector rose further in September, extending the current sequence of job creation to 24 months. The latest hiring of workers was attributed to increased workloads, according to panellists.

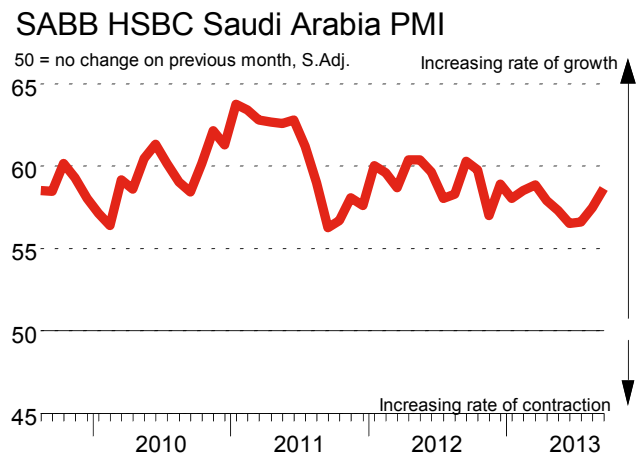
Driven by higher new business, backlogs of work accumulated for the eighth consecutive month in September. The rate of backlog accumulation eased slightly since August, but was above the series average. Meanwhile, suppliers' delivery times shortened further. The latest improvement in vendor performance was the sharpest since April.

In line with the trends for output and new orders, purchasing activity increased in September. The rate of growth was sharp, although the slowest in four months. Meanwhile, stocks of purchases accumulated at the fastest pace since March.

Key points

- SABB HSBC PMI at 58.7 in September
- Business activity increases as new order growth accelerates
- New export orders increase at fastest pace in survey history
- Output prices rise for first time in three months

Historical Overview



Sources: Markit, HSBC.

markit

SABB ساب
Local vision, international expertise

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 www.markit.com

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™ 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*™ and *PMI*™ 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.