SABB HSBC Purchasing Managers' Index™ Press Release

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compiled by markit

SABB HSBC Saudi Arabia PMI™

Growth of output, new orders and employment weaken in October

Summary

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

October data signalled a further improvement in operating conditions at Saudi Arabian non-oil producing private sector companies, with the headline index posting 56.7, down from 58.7 in September. The rate of improvement in October was the weakest in three months.

The latest survey results signalled a slowing in output growth at Saudi Arabia's non-oil producing private sector companies, with the rate of expansion the second-weakest recorded in the 51-month survey history. However, the overall rise remained sharp, and was largely linked to increased new business.

In line with the trend for activity, order intakes increased at a slower pace in October. Anecdotal evidence suggested that improved marketing efforts, increased construction business and good economic conditions all contributed to the overall rise in new work.

Client demand from foreign markets strengthened during October with the pace of expansion accelerating to the quickest in the series history. Around 36% of survey respondents indicated increased new export business, while only 2% reported a decline.

Employment levels rose further in October, extending the current sequence of job creation to 25 months. Increased workloads was repeatedly mentioned as the main driver behind the latest hiring. The rate of job creation in October was the weakest in five months.

Backlogs of work accumulated further in October, with 10% of panel members indicating a rise in outstanding work. Meanwhile, suppliers' delivery times shortened, albeit to the least marked degree in just over two years.

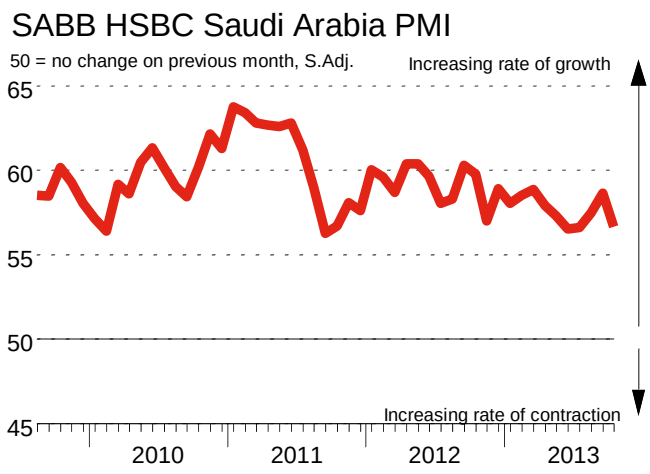
October saw an increase in cost burdens at Saudi Arabian non-oil producing private sector firms with the rate of inflation the highest since April. According to panel members, the rise in purchase prices was driven by increased raw material prices, stronger demand and general inflationary pressures. In response to increased input costs, companies raised their selling prices. The overall rise in output charges was, however, marginal.

Purchasing activity continued to increase in October, with companies commenting on higher production requirements. Input stocks rose in every month of the series history, but in October at the slowest pace in two years. Driven by predicted new order growth, stocks of purchases also rose during the latest survey period. The rate of stock accumulation eased, however, to the weakest since December 2011.

Key points

- SABB HSBC PMI at 56.7 in October
- Output and new orders both increase at weaker rates
- New export orders rise at fastest pace in survey history
- Rate of job creation eases

Historical Overview



Sources: Markit, HSBC.

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Local vision, international expertise

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 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