

SABB HSBC Saudi Arabia PMI™

PMI signals further improvement in non-oil producing sector business conditions

Key findings:

- Output and new orders rise solidly
- Level of outstanding business falls for the first time in four months
- Overall input price inflation slows to a 2-year low

The Saudi British Bank "SABB" has published the results of the headline SABB HSBC Saudi Arabia Purchasing Managers' Index™ (PMI™) for November 2012 – 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 Saudi Arabian non-oil producing private sector continued to report strong growth in production and new orders, while the level of outstanding business fell and the overall rate of input price inflation scored its lowest reading in 24 months. The headline PMI recorded a level of 57.0 in November, down from 59.8 in October.

Output levels rose further in November with more than one out of four respondents reporting an increase in production. According to anecdotal evidence, one of the main reasons behind the rise was higher new orders. The rise in new orders continued the trend seen throughout the history of the series to date. More than 40% of the panellists indicated an increase in the level of orders received and linked this to good market conditions. The rate of growth was, however, the lowest since September 2011.

The level of new export orders received at non-oil producing firms in Saudi Arabia continued to rise during November.

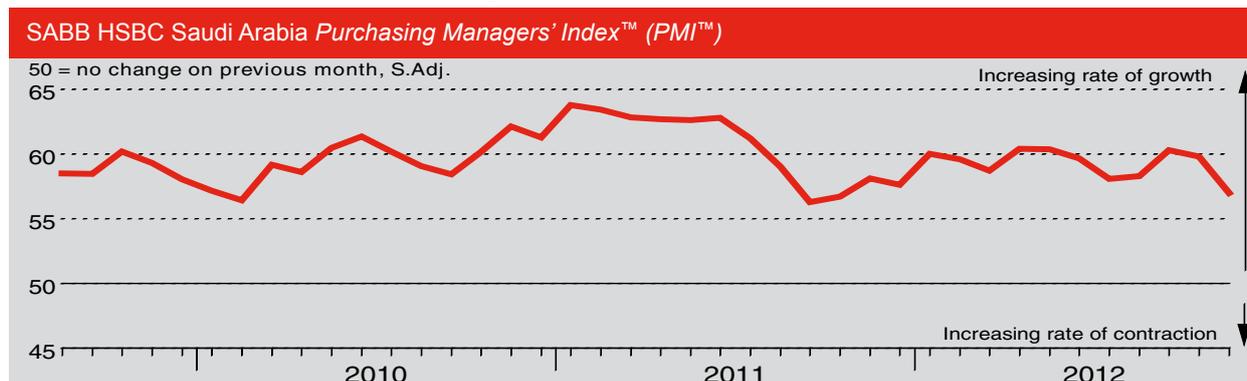
Meanwhile, the level of outstanding business decreased for the first time in four months. The clearing up of pending orders was often mentioned as the primary factor highlighted by firms that reported lower levels of outstanding business.

Employment levels rose for the fourteenth successive month in November, and at a higher rate than in the previous month. Where an expansion of workforce numbers was reported, respondents linked this to increased business requirements. Companies increased salaries in November and partly attributed this to higher living costs.

Average lead times at non-oil producing firms in Saudi Arabia shortened in November, at a slightly stronger rate than in October with almost 20% of the respondents reporting an improvement in suppliers' delivery times. Mainly driven by increased purchase prices, average tariffs charged for goods rose compared with the situation in October.

The rate of purchase price inflation eased in November and scored its joint-lowest reading since July 2010. Hand-in-hand with slower purchase price inflation, the Overall Input Prices Index recorded its lowest level in 24 months.

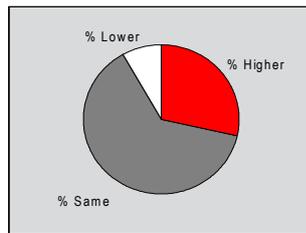
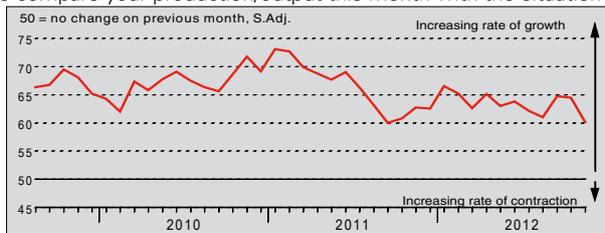
Driven by an increase in new orders, purchasing activity rose in November and led to solid growth in inventory holdings. More than one-in-three respondents indicated an increase in their quantity of items purchased.



The SABB HSBC Saudi Arabia Purchasing Managers' Index (PMI) is a composite indicator designed to provide an overall view of activity in the Saudi Arabia non-oil private sector economy. The indicator is derived from individual diffusion indices which measure changes in output, new orders, employment, suppliers' delivery times and stocks of goods purchased. A reading of the PMI below 50.0 indicates that the economy is generally declining; above 50.0, that it is generally expanding. A reading of 50.0 signals no change. The greater the divergence from 50.0, the greater the rate of change signalled by the index. *Purchasing Managers' Index™* and *PMI™* are trade marks of Markit Economics Limited, HSBC use the above marks under licence. Markit and the Markit logo are registered trade marks of Markit Group Limited.

Output Index

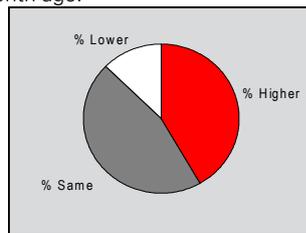
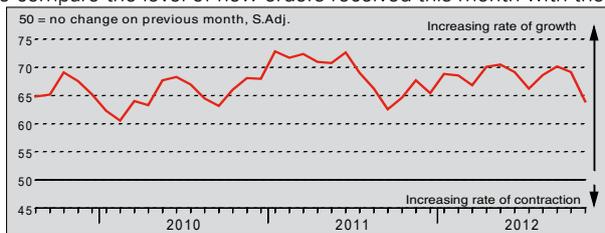
Q. Please compare your production/output this month with the situation one month ago.



November data signalled a further increase in output levels at Saudi Arabian non-oil producing companies. That said, production rose to a lesser extent than in October and the rate of growth was below the average recorded by the series history. Higher new order numbers and the overall improvement of the construction sector were cited as the main reasons behind the latest increase.

New Orders Index

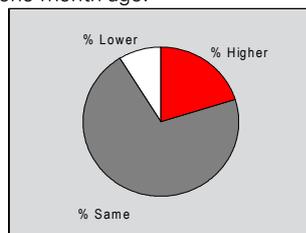
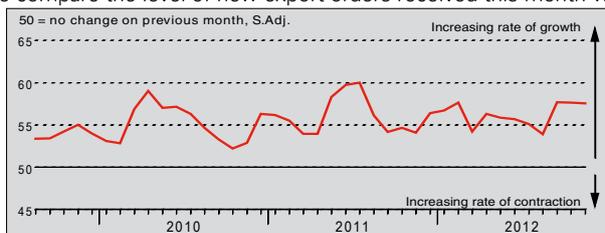
Q. Please compare the level of new orders received this month with the situation of one month ago.



The level of new orders received at non-oil producing firms in Saudi Arabia continued to rise in November. This was highlighted by the seasonally adjusted New Orders Index posting above the no-change mark of 50.0. Panellists linked this to good market conditions. The rate at which the volume of incoming new business increased was the lowest since September 2011.

New Export Orders Index

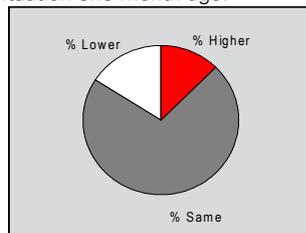
Q. Please compare the level of new export orders received this month with the situation of one month ago.



Continuing a trend observed throughout the survey history to date, the seasonally adjusted New Export Orders Index recorded a level above 50.0 to signal growth of new business from abroad. More than 20% of respondents reported a higher level of new export orders received and commonly associated this with improvements in economic and market conditions.

Backlogs of Work Index

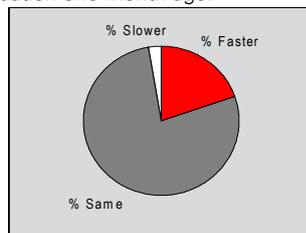
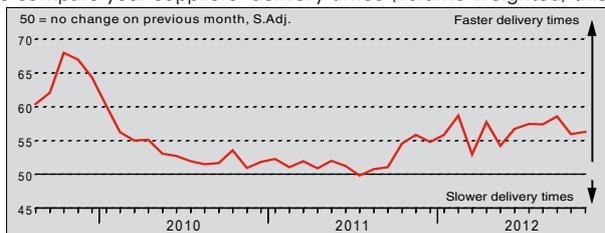
Q. Please compare the level of outstanding business in your company this month with the situation one month ago.



The seasonally adjusted Backlogs of Work Index posted below the critical 50.0 threshold for the first time in four months, recording its lowest level since September 2011. Exactly 16% of respondents signalled a decline in the level of outstanding business in November and mentioned the clearing up of pending orders as the primary factor for the decrease.

Suppliers' Delivery Times Index

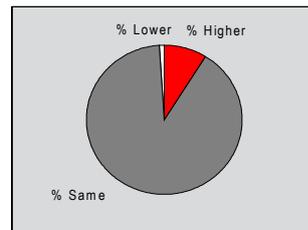
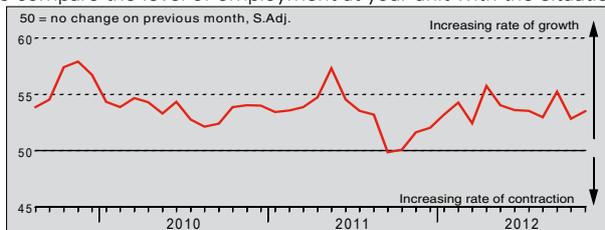
Q. Please compare your suppliers' delivery times (volume weighted) this month with the situation one month ago.



Average lead times shortened at non-oil producing Saudi Arabian firms during November. The rate at which delivery times improved was slightly stronger than in October and remained above the overall series average. Improved payments was often commented on by companies that reported a shortening in suppliers' delivery times.

Employment Index

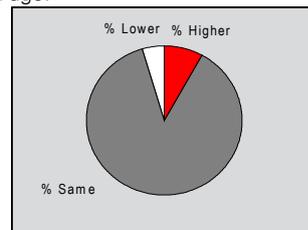
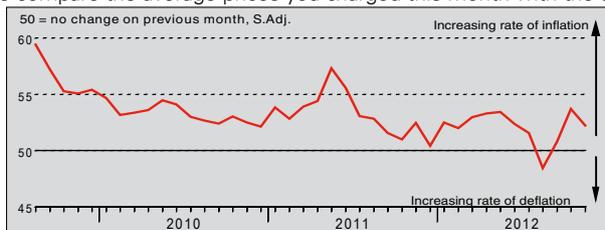
Q. Please compare the level of employment at your unit with the situation one month ago.



Staffing levels rose for the fourteenth successive month in November. This was highlighted by the seasonally adjusted Employment Index posting a reading above the neutral 50.0 threshold. According to anecdotal evidence the expansion of workforce numbers was due to increased business requirements.

Output Prices Index

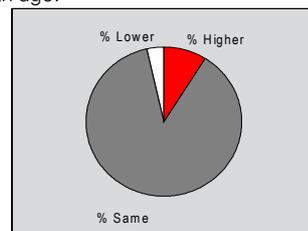
Q. Please compare the average prices you charged this month with the situation one month ago.



November data signalled a rise in average prices charged at Saudi Arabian non-oil producing companies. The average tariffs charged by firms rose for the third successive month but the rate of inflation slowed and was only modest. Respondents that reported higher charges commented on increased purchase prices as the main reason for the increase.

Overall Input Prices Index

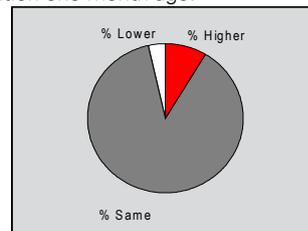
Q. Please compare your overall average input prices this month with the situation one month ago.



Following the trend of the series history, overall input prices at non-oil producing companies in Saudi Arabia increased further in November with almost 9% of panellists reporting an increase in overall input costs and less than 4% reporting a decline. However, the rate of inflation was the lowest in 2 years. Average purchase prices as well as salaries were higher than in October.

Input Costs: Purchase Prices Index

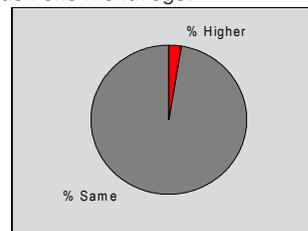
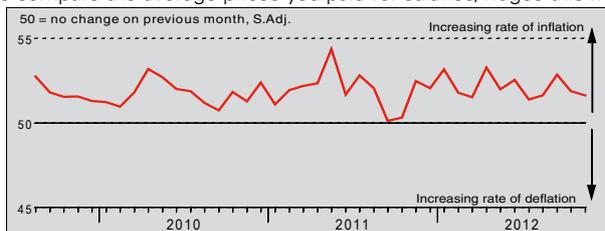
Q. Please compare the price of your purchases (volume-weighted) this month with the situation one month ago.



Average purchase prices rose again during November. The rate of inflation slowed and was the joint-lowest since July 2010. Less than 9% of the respondents signalled an increase in their purchase prices with almost 4% reporting a decrease. Out of the respondents that reported a rise, most commented on the general rate of inflation as the main reason for the recent development.

Input Costs: Staff Costs Index

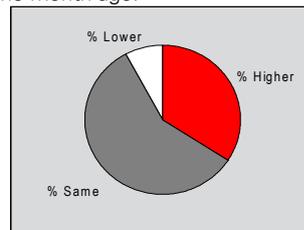
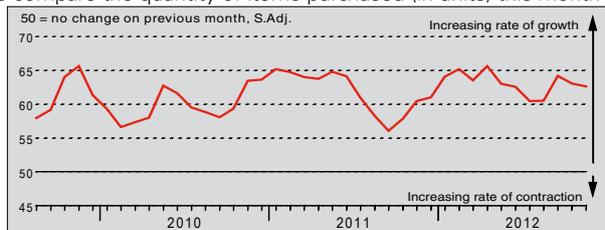
Q. Please compare the average prices you paid for salaries/wages this month with the situation one month ago.



Average salaries continued to increase at non-oil producing companies in Saudi Arabia. However, the rate of inflation was lower than in October. The vast majority of panellists saw no change in wages and salaries over the month. Increased living costs was a key factor highlighted by firms that raised wages.

Quantity of Purchases Index

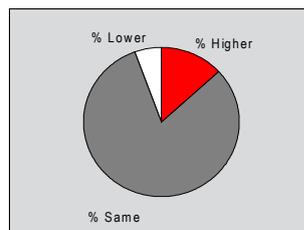
Q. Please compare the quantity of items purchased (in units) this month with the situation one month ago.



The seasonally adjusted Quantity of Purchases Index posted above the 50.0 no-change mark in November, to signal that the quantity of items purchased at Saudi Arabian non-oil producing firms was higher than in October. More than one-in-three respondents reported an increase in their purchased quantities. Firms attributed this to an increase in new orders.

Stocks of Purchases Index

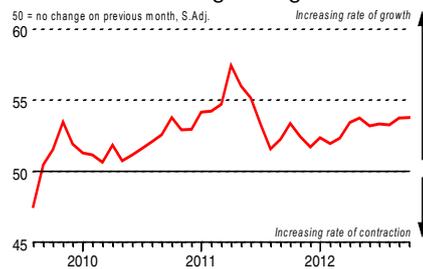
Q. Please compare your stocks of purchases (in units) with the situation one month ago.



As has been the case for every month in the series history, the seasonally adjusted Stocks of Purchases Index scored above the neutral 50.0 threshold in November, signalling a greater stock of purchases at Saudi Arabian non-oil producing companies compared with the situation of the previous month. Increased business was given as the main reason for the rise in stocks of purchases, which was marked.

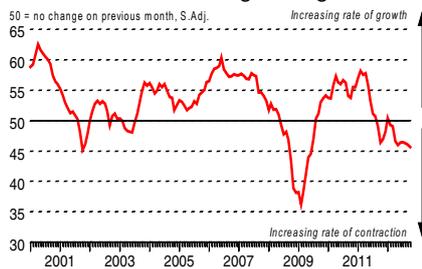
International PMI summary

UAE Purchasing Managers' Index™



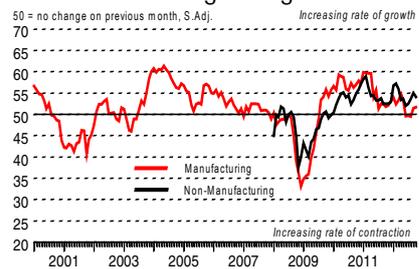
Sources: HSBC, Markit.

Eurozone Purchasing Managers' Index™



Source: Markit.

US Purchasing Managers' Index



Source: ISM.

The headline seasonally adjusted HSBC United Arab Emirates PMI™ registered above the 50.0 no-change mark in October, signalling an improvement in overall operating conditions at non-oil producing companies. At 53.8, unchanged from September, the PMI was above the series average of 52.7, and indicated a solid improvement overall.

The downturn in the Eurozone economy deepened at the start of Q4 2012, with the combined output of the manufacturing and service sectors falling at the fastest pace since June 2009. The Markit Eurozone PMI® Composite Output Index fell to 45.7 in October, down from 46.1 in September and the earlier flash estimate of 45.8. Overall activity has now fallen for nine straight months.

The ISM data showed a strengthening of manufacturing conditions for US companies in October with the PMI Index recording its highest reading in five months. This was the second consecutive improvement signalled. Non-manufacturing firms posted a weaker, albeit still solid improvement compared to September with an NMI Index reading of 54.2, down from 55.1 in the previous month.

Notes on the Data and Method of Presentation

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.

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