Embargoed until: 08:30 (RIYADH) 3 July 2012

SABB HSBC Saudi Arabia PMI™

PMI points to further improvement in private sector business conditions during June

Key findings:

- · New orders rise on improving economic conditions, leading to strong output growth
- Staffing levels increase, but at slower rate
- · Input price inflation remains steep

The Saudi British Bank "SABB" has published the results of the headline SABB HSBC Saudi Arabia Purchasing Managers' Index™ (PMI™) for June 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 private sector continued to show considerable resilience in the face of a global economic slowdown in June, with output, new orders and employment all up at rates little-changed from one month previously. Cost pressures meanwhile also remained relatively stable.

June saw the seasonally adjusted SABB HSBC Saudi Arabia Purchasing Managers' Index™ (PMI™) dip from 60.4 in May to 59.7, signalling a further, albeit slightly slower, improvement in overall operating conditions across the KSA non-oil private sector economy.

Total output levels increased at a marginally faster rate in June, albeit one that was still below the average recorded since data collection started almost three years ago. Anecdotal evidence linked the rise in activity to improving economic conditions, particularly in the domestic market, and an associated rise in incoming new orders.

June data showed a further marked rise in total new work placed

with non-oil private sector business in Saudi Arabia, which survey respondents partly attributed to greater efforts in the areas of marketing and sales. New export orders also increased on the month. In both cases, growth was slightly weaker than in April and May.

Purchasing activity followed a similar trend in June, increasing at a marked rate that was nevertheless the slowest recorded so far this year. Anecdotal evidence showed that firms increased input buying to satisfy rising output requirements, but also to accumulate pre-production stocks. Indeed, stocks of purchases were built at a rate that was only fractionally down on May's 12month record. Suppliers' delivery performance meanwhile continued to improve in spite of the increased demand for inputs.

Employment levels rose for the ninth successive month during June. Where job creation was recorded, this was linked by respondents to increases in current and expected workloads. That said, the overall rate of job creation was the weakest for three months.

Overall input cost inflation facing KSA private sector companies was broadly unchanged since the preceding survey period, and strong by the historical standards of the series. Output prices were raised as a result, though the rate of inflation was the weakest for four months amid stronger competitive pressures.



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' IndexTM and PMITM 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.

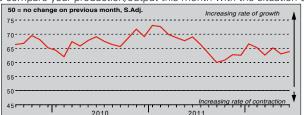


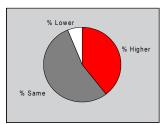




Output Index

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



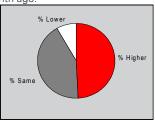


Latest data pointed to another month-on-month increase in output at KSA non-oil private sector businesses in June. The rate of growth was slightly faster than in the preceding survey period, although still weaker than the average recorded since data collection began in August 2009. Anecdotal evidence suggested that a general improvement in market conditions had underpinned the latest increase in activity.

New Orders Index

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



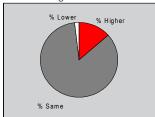


Saudi Arabian private sector businesses recorded a further increase in new order intakes in June. The rate of growth was slightly slower than during the previous two months, though still solid by the historical standards of the series. Over 49% of firms noted a rise in new orders since the previous survey period, against roughly 8% that registered a fall. A number of firms cited marketing activity as having a positive impact on new orders.

New Export Orders Index

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





New export orders placed with non-oil private sector businesses operating in Saudi Arabia increased again during the latest survey period. That said, the seasonally adjusted index was the lowest for three months, and continued to imply a slower rate of growth in international new orders than incoming new work overall.

Backlogs of Work Index

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





Backlogs of work at KSA non-oil private sector businesses increased at a slower rate in June. In fact, the rate of accumulation was the slowest registered so far this year and weaker than the series average (51.7). Where higher levels of work-in-hand (but not yet completed) were recorded, this was often attributed by respondents to rapidly rising order intakes.

Suppliers' Delivery Times Index

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



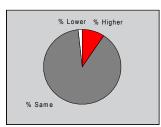


Suppliers' delivery times shortened on average for the eleventh month in succession during June. Furthermore, the overall rate of improvement in vendor performance was steeper than during the previous survey period. Anecdotal evidence suggested that competition among suppliers had impacted positively on their performance. A number of respondents also noted improvements resulting from changes in payment terms.

Employment Index

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



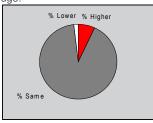


Employment in the Saudi Arabian non-oil private sector economy increased again in June, extending the current sequence of growth to nine months. Firms that registered net staff hiring generally attributed this to increased workloads, with a number of businesses also adding staff in expectation of higher activity in coming months. That said, the rate of overall job creation was the weakest for three months.

Output Prices Index

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



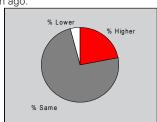


Output prices across Saudi Arabia's non-oil private sector increased at a slower rate in June – the weakest for four months. Furthermore, the seasonally adjusted index was also below the series average. Where charges increased over the month, this was often linked by panellist to both stronger demand and rising input costs.

Overall Input Prices Index

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



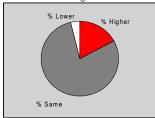


June's seasonally adjusted Overall Input Prices Index was broadly unchanged since the previous survey period, and showed another marked increase in cost pressures facing KSA non-oil private sector businesses. Purchase prices and staffing costs both increased on the month, the former at a comparatively steeper rate.

Input Costs: Purchase Prices Index

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



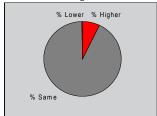


Purchase prices paid by Saudi Arabian non-oil private sector firms increased on average during June, with firms reporting items such as electronics, food stuffs and a range of raw materials as up in price. A number of firms also noted a rise in freight charges. The overall rate of inflation was, however, the weakest since last December.

Input Costs: Staff Costs Index

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



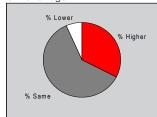


Staffing cost increased at a slightly faster rate during June, and one that was also stronger than the average recorded since data were first collected close to three years ago. Around 7% of firms registered a rise in average salaries/wages, compared with only a fractional proportion that recorded a decrease.

Quantity of Purchases Index

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



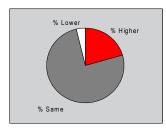


In accordance with rises in both output levels and incoming order intakes, June saw a further increase in purchasing activity across the Saudi Arabian non-oil private sector economy. The rate of growth was both steep and above the series average, albeit weaker than in each of the previous five months

Stocks of Purchases Index

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

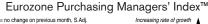




Stocks of purchases accumulated at a marked rate in June, and one that was only fractionally weaker than May's 12-month record increase. Latest anecdotal evidence signalled that firms had deliberately raised pre-production levels as a consequence of greater activity levels as well as expectations for growth in incoming new orders.

International PMI summary









2000200120022003200420052006200720082009201020112012

Source: Markit.

The seasonally adjusted HSBC United Arab Emirates PMI™ registered 53.8 in May, slightly up on April's 53.5 and the strongest reading for 11 months. The improvement in operating conditions was led by a marked and accelerated rise in incoming new orders. Output meanwhile continued to increase, but at a slower pace than sales, leading to further growth of backlogs and associated increases in employment.

At 46.0 in May, down from 46.7 in April, the Markit Eurozone PMI® Composite Output Index showed the steepest rate of decline in manufacturing and services output in the euro area since June 2009. The headline index was below the neutral 50.0 mark for the fourth month running. Data indicated that the service sector fell into a steepening downturn, in tandem with a stronger decline across manufacturing.

May saw the ISM US Manufacturing PMI fall from April's ten-month high of 54.8 to 53.5, with growth of both output and employment in the sector slowing since the previous survey period. The Non-Manufacturing Index was meanwhile broadly unchanged, posting at 53.7 in May from 53.5 in April. The index was above the 50.0 no-change value for the twenty-ninth month in a row.

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

Purchasing Managers' IndexTM (PMITM) 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

Warning

The intellectual property rights to the SABB 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 licence. Markit and the Markit logo are registered trade marks of