Embargoed until: 08:30 (RIYADH) 4 February 2013

SABB HSBC Saudi Arabia PMI™

PMI signals promising start for 2013

Key findings:

- Growth of output eases slightly, but remains marked
- · Input price inflation picks up slightly

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

Operating conditions in the Saudi Arabian non-oil producing private sector remained positive at the beginning of 2013, as the headline PMI posted a reading of 58.1, down slightly from December's 58.9. Output and new orders increased solidly but input price inflation picked up. Meanwhile, employment levels continued to rise.

Output rose at Saudi Arabian non-oil producing private sector companies during January. The rate of growth slowed slightly, but remained marked. Almost 45% of respondents indicated an increase in new orders, which was mainly driven by improved economic conditions and good sales team efforts. New business from abroad increased in January, albeit at the slowest pace in

The latest survey data signalled a decrease in work outstanding at non-oil producing firms in Saudi Arabia. Increased capacity helped support the clearance of work-in-hand. Employment levels increased further in January, and the rate of job creation was in-line with the overall series average. An increase in new orders was reported to be the main driver behind the latest rise in payroll numbers.

Output prices at non-oil producing private sector companies rose during January, and at a slightly sharper rate than in December. The rise in output prices was linked to higher input costs and increased market demand.

Overall input prices rose during January, and the rate of inflation picked up marginally. While the rise in purchase prices was driven by higher raw material prices and general inflationary pressures, panellists also reported higher average staff costs. This was linked to the hiring of additional employees.

January data signalled a rise in purchasing activity at Saudi Arabian non-oil producing private sector firms, and the rate of growth was higher than in the previous survey period. Almost one-in-three respondents indicated an increase in buying, while only 6% recorded a decrease. Stocks of purchases continued to increase during January. There was some evidence that growth was driven by expectations of an increase in new orders and production over the coming months.

Meanwhile, suppliers' delivery times continued to shorten. Only 2% of companies reported a worsening in vendor performance, while 12% indicated an improvement. According to anecdotal evidence, the shortening of suppliers' delivery times was partly due to improved payment schedules.



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.



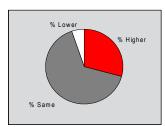




Output Index

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



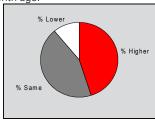


Output in Saudi Arabia's non-oil producing private sector rose solidly during January. Almost one-in-three respondents reported an increase in production and mainly linked this to higher new order numbers and good business conditions. The rate of growth, however, weakened and was amongst the slowest in the survey history.

New Orders Index

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

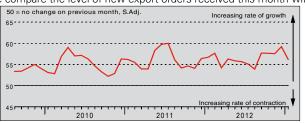




January data signalled a further rise in order book volumes at non-oil producing private sector companies in Saudi Arabia. Growth of new work eased slightly, but remained solid. According to anecdotal evidence, the latest increase in new business was partly linked to improved economic conditions and good sales team efforts within firms.

New Export Orders Index

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



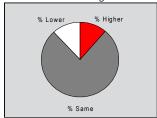


The seasonally adjusted New Export Orders Index posted a reading above the 50.0 mark that separates growth from contraction in January, and pointed to solid growth in business from abroad. While the pace of expansion was the slowest in five months, it remained above the series average. Increased market demand and good market conditions were often cited as the main reasons behind the latest rise.

Backlogs of Work Index

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





The latest survey data signalled a decrease in work outstanding at Saudi Arabian non-oil producing private sector companies. This has now been the third successive month of declining levels of outstanding business, although the rate of decline was marginal. Broadly similar proportions of companies indicated a rise in backlogs as signalled a fall.

Suppliers' Delivery Times Index

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

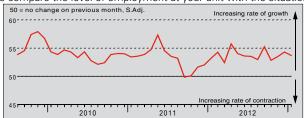


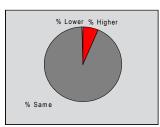


Average lead times at Saudi Arabia's non-oil producing private sector firms continued to shorten in January. More than 12% of panellists reported an improvement in vendor performance, and only 2% indicated a worsening. There was some evidence that the latest shortening in lead times was driven by long term relationships between firms and suppliers. Improved payment schedules also helped.

Employment Index

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



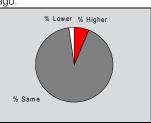


Saudi Arabian non-oil producing private sector firms hired additional staff during January. With the exception of September 2011, employment levels have risen in every month since the beginning of data collection in August 2009. Increased workloads was the primary factor highlighted by firms that reported higher payroll numbers in January.

Output Prices Index

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



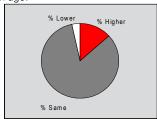


Prices charged at non-oil producing companies in Saudi Arabia continued to rise during January. The rate of output price inflation picked up slightly, but remained below the average recorded over the series history. Panellists often linked the latest rise in average tariffs to increased market demand and rising input costs.

Overall Input Prices Index

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

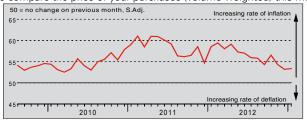


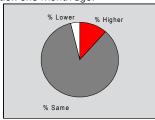


Overall input prices in Saudi Arabia's non-oil producing private sector continued to rise during January. This was highlighted by the seasonally adjusted Overall Input Prices Index recording a level above the no-change mark of 50.0. The latest increase in input costs was driven by both higher purchase prices and rising staff costs.

Input Costs: Purchase Prices Index

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



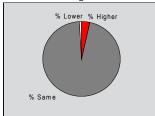


January data signalled a further rise in purchasing prices in Saudi Arabia's non-oil producing private sector. The rate of inflation was little changed from December and remained below the series average. Higher raw material prices and general inflationary pressures were among the reasons behind the latest rise in prices.

Input Costs: Staff Costs Index

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



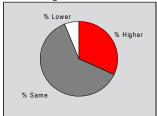


Average prices paid for wages at Saudi Arabian non-oil producing private sector firms rose during January. The rate of inflation remained broadly unchanged from December and stayed in line with the overall series average. Some panellists attributed the rise in average prices paid for salaries to the hiring of additional staff.

Quantity of Purchases Index

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



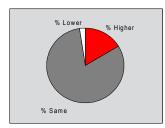


Purchasing activity in Saudi Arabia's non-oil producing private sector increased during January, and at a higher rate than in the previous survey period. Almost one-in-three respondents recorded an increase in buying and only 6% reported a fall. Companies attributed the latest increase mainly to growth 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 throughout the series history, pre-production inventories increased at non-oil producing companies in Saudi Arabia during January. More than 16% of panellists indicated a rise in input stocks and less than 3% reported a fall. The expectation of an increase in new orders, and output was a key reason behind the accumulation of stocks of purchases.

International PMI summary



Sources: HSBC, Markit.



2007

2009

2011

2001 20 Source: Markit.

2003

2005



Source: ISM.

The headline seasonally adjusted HSBC United Arab Emirates PMI™ registered above the 50.0 no-change mark in December, signalling an improvement in overall operating conditions. At 55.6, up from 53.7 in November, the PMI pointed to the strongest improvement in operating conditions in 19 months. Production rose solidly during December, and the index recorded its highest reading since May 2011.

The Eurozone downturn eased further at the end of 2012, as rates of contraction in economic output and new business slowed. At a nine-month high of 47.2 in December, the Markit Eurozone PMI Composite Output Index was nonetheless below the 50.0 no-change mark for the eleventh successive month.

After a worsening of manufacturing conditions for US companies in November, ISM data signalled an improvement during December as the PMI posted at 50.7, up from 49.5 in the previous month. Non-manufacturing firms in the US reported a further improvement in business conditions in December, as the NMI scored a 10-month high of 56.1, up from 54.7 in November.

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.

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*TM and *PMI*TM 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.