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SABB HSBC Saudi Arabia PMI™

Operating conditions in Saudi Arabia improve during February

Key findings:

- · New order growth picks up slightly
- Purchasing activity continues to increase at marked pace

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

February data pointed to a further improvement in operating conditions at non-oil producing private sector companies in Saudi Arabia. The headline PMI posted 58.5, up from 58.1 in January. Output and new order growth remained solid and employment levels continued to rise. Meanwhile, purchasing activity increased at a sharp rate.

Non-oil producing private sector firms in Saudi Arabia reported both higher output and increased new orders in February. While the rise in output was mainly driven by more new business and improving market conditions, the rise in new orders was attributed to marketing and sales efforts within companies. Moreover, the rate of growth in new work was sharp and higher than in the previous survey period. New export orders also continued to increase.

Employment levels at non-oil producing private sector firms rose further during February. According to anecdotal evidence, new business was the main reason for an increase in payroll numbers.

Backlogs of work at non-oil producing private sector firms in Saudi Arabia increased during February. While the rate at which backlogged work accumulated was only slight, survey data signalled the first increase in work-in-hand since October 2012. Meanwhile, suppliers' delivery times continued to improve, but at the weakest rate in 11 months.

The latest survey data pointed to higher prices charged by Saudi Arabian non-oil producing private sector companies. Increased input costs was commonly mentioned by companies that reported a rise in output prices.

Overall input prices also rose during February, and the rate of input cost inflation was broadly unchanged from January. Around 11% of companies recorded higher input costs and only 2% reported a fall. While the rate of purchase price inflation picked up, wage inflation fell to a 16-month low.

Purchasing activity increased during the latest survey period in Saudi Arabia's non-oil producing private sector. Around 35% of panellists reported an increase in quantity of items purchased, while less than 9% indicated a fall.

Stocks of purchases also rose. The rate of growth was broadly unchanged from January and remained above the series average. There was some evidence that expectations of more new business partly led to the accumulation of stocks of purchases.



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.



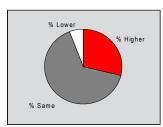




Output Index

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



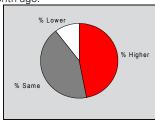


Non-oil producing private sector companies in Saudi Arabia reported higher output levels in February. Around 29% of respondents indicated a rise in output and commonly linked this to improving business conditions and an increased number of new projects. While the seasonally adjusted Output Index posted well above the no-change mark of 50.0, it remained low in the context of historical data.

New Orders Index

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

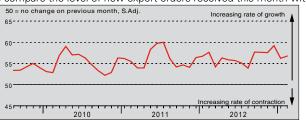


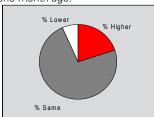


The latest survey data signalled growth in work placed at Saudi Arabian non-oil producing private sector firms. Volumes of incoming business have increased for every month since the data collection began in August 2009, and the rate of growth was slightly sharper than in January. According to anecdotal evidence, the latest increase was partly driven by marketing, as well as sales efforts and improving market conditions.

New Export Orders Index

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



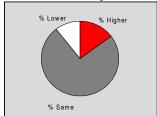


New export orders in Saudi Arabia's non-oil producing private sector continued to increase during February. Around 20% of panellists recorded higher levels of new business from abroad, while only 7% indicated a fall. Improving economic and market conditions were reported by panellists to have contributed to the latest rise in new export orders.

Backlogs of Work Index

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





February data signalled a rise in work outstanding at non-oil producing private sector companies in Saudi Arabia. The latest survey results marked the first increase in work-in-hand since October 2012. Companies that recorded an accumulation of backlogged work mainly linked this to an increase in new orders.

Suppliers' Delivery Times Index

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



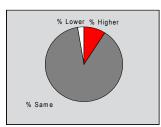


Delivery times in Saudi Arabia's non-oil producing private sector improved further during February. There was some evidence that better delivery times were partly driven by competition between suppliers and better payments. The rate at which average lead times shortened, however, eased to the weakest in 11 months.

Employment Index

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

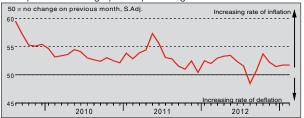


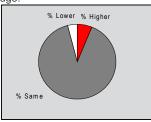


Employment levels at Saudi Arabian non-oil producing private sector companies continued to rise in February. Less than 3% of companies recorded lower payroll numbers, while 9% indicated a rise. According to panellists, higher new business was the main driver behind the latest increase. Employment levels have risen in every month since October 2011, but the rate of job creation was the slowest in four months.

Output Prices Index

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





Average tariffs set by non-oil producing private sector firms in Saudi Arabia rose further in February. The latest reading marked the sixth successive increase in output prices, and the rate of charge inflation was unchanged from the previous survey period. Companies that indicated higher charges commonly linked this to increased input costs.

Overall Input Prices Index

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



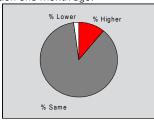


Saudi Arabia's non-oil producing private sector companies recorded increased input costs in February. Around 11% of companies indicated a rise in input prices and only 2% reported a fall. Input prices have increased throughout the entire survey history, but the rate of inflation was the second lowest in 27 months.

Input Costs: Purchase Prices Index

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



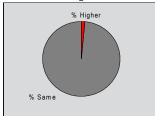


Average purchase prices in the Saudi Arabian non-oil producing private sector continued to rise in February. The rate of inflation picked up, and was the highest in four months. Exactly 11% of respondents indicated a rise in purchase prices. There was some evidence that the increase was driven by inflationary pressures and higher raw material 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.



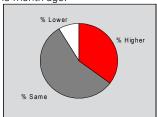


Average wages in Saudi Arabia's non-oil producing private sector rose slightly during February. This was highlighted by the seasonally adjusted Staff Costs Index recording a level above the 50.0 threshold. The rate of inflation eased and was the lowest in 16 months. The majority of companies indicated unchanged staff costs, with only 2% recording a rise.

Quantity of Purchases Index

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



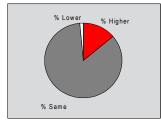


Survey data from February pointed to a further increase in purchasing activity in Saudi Arabia's non-oil producing private sector. The rate at which buying increased was marked, and remained above the series average. According to panellists, increased new orders was the main driver behind the rise in the quantity of inputs purchased.

Stocks of Purchases Index

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

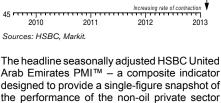




Pre-production inventories continued to increase in February, as the seasonally adjusted Stocks of Purchases Index posted above the 50.0 nochange mark. The rate at which input stocks increased stayed in line with January data and remained above the series average. The expectation of more new business led to a further accumulation of stocks of purchases.

International PMI summary





- signalled a further marked strengthening of

operating conditions. At 55.0 in January, down

only slightly from December's 55.6, the PMI

remained above its average at the start of the



At 48.6 in January, from 47.2 in December, the Markit Eurozone PMI Composite Output Index rose to a ten-month high. Although signalling a further deterioration in output of the Eurozone private sector economy, the rate of decline has now eased for three straight months. Both manufacturing production and service sector business activity declined at the slowest rates since last March.



Source: ISM.

50.2, ISM data signalled the second successive PMI increase in the US manufacturing sector. The rate of growth was the fastest in nine months. For non-manufacturing companies, the NMI Activity Index recorded a level of 56.4

Posting 53.1 in January, up from December's

in January, down from 60.8 in December. The latest reading was, however, the lowest in five months

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

year.

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