HSBC *Purchasing Managers' Index™* 2013

compiled by markit

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SABB HSBC Saudi Arabia PMI™

Operating conditions continue to improve in April

Key findings:

- Solid rises in both output and new orders recorded
- Employment levels increase at weakest rate in a year-and-a-half
- Expansion of input stocks eases to eight-month low

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

April data suggested a further improvement in operating conditions in Saudi Arabia's non-oil producing private sector, as the headline PMI posted 58.0, down slightly from 58.9 in March. While the latest survey data marked the lowest reading in five months, the rate of improvement remained sharp.

Output levels continued to increase at a solid pace in April, with 31% of respondents indicating a rise in production. Panellists linked the expansion to improving market conditions and increased incoming new business. Driven by improved marketing efforts, order book volumes rose during the latest survey period. The rate of growth moderated slightly from March, but remained sharp. New business from abroad also rose at a slightly weaker rate than in the previous survey period.

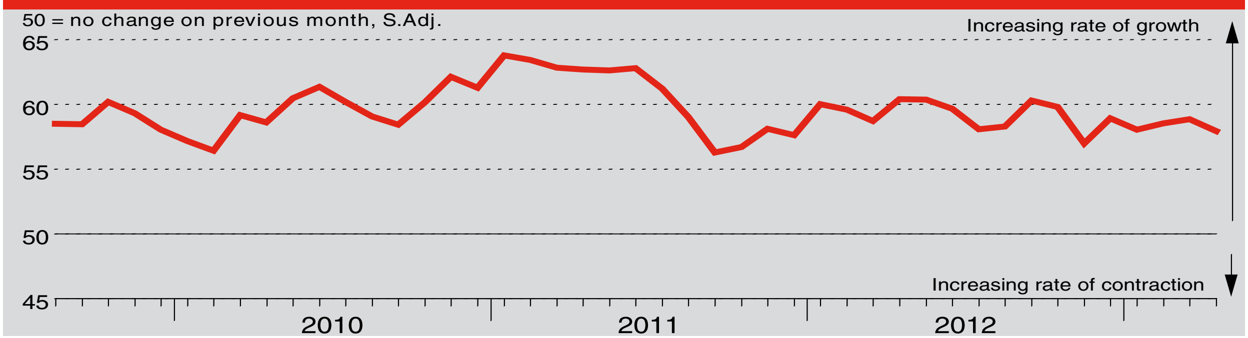
Non-oil producing private sector companies in Saudi Arabia indicated a third successive monthly increase in levels of outstanding business. Increased new orders was cited as the main reason for the rise in work-in-hand. Meanwhile, vendor performance improved at the sharpest rate in four months. Average lead times on inputs have now improved for 21 successive survey periods. Most Saudi Arabian companies in the non-oil producing private sector were reluctant to take on additional staff in April. The rate of job creation was near stagnation, and eased to the weakest in a year-and-a-half.

Overall input costs continued to increase during the latest survey period, but the rate of cost inflation eased slightly from March. While an increase in purchase prices was driven by general inflationary pressures, average staff costs were broadly unchanged from the previous month. Output prices charged by Saudi Arabian non-oil producing private sector companies rose moderately in April, as the majority of respondents indicated unchanged charges from the previous month. Where higher charges were reported, panellists commonly commented on increased input costs.

Purchasing activity increased further during April, as 35% of companies recorded a rise in the quantity of inputs purchased. According to anecdotal evidence, the rise was encouraged by increased incoming new business volumes.

Input stocks at Saudi Arabian non-oil producing private sector companies rose during April, as companies predicted growth of incoming new business and production requirements. While pre-production inventories have risen in every month since data collection began in August 2009, the rate of expansion was the weakest in eight months.

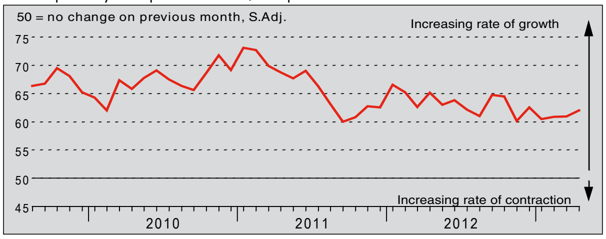
SABB HSBC Saudi Arabia *Purchasing Managers' Index™ (PMI™)*

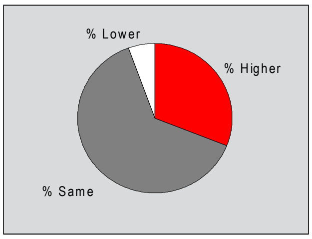


The SABB HSBC Saudi Arabia Purchasing Managers' Index (PMI) is a composite indicator designed to provide an overall view of activity in the Saudi Arabia non-oil private sector economy. The indicator is derived from individual diffusion indices which measure changes in output, new orders, employment, 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.

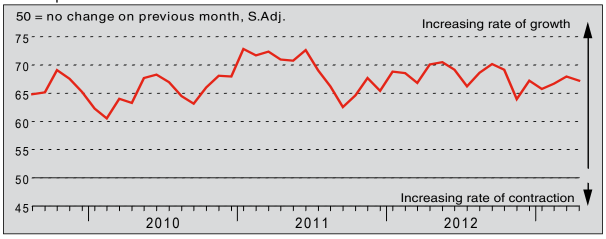


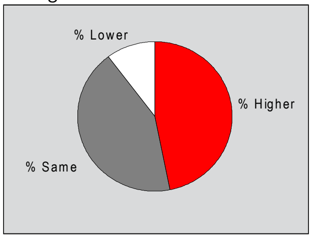


Non-oil producing private sector companies in Saudi Arabia indicated another solid rise in output levels during April. The rate of expansion picked up slightly from the previous survey period, and was the sharpest since last December. Improving market conditions and increased incoming new business were the main drivers behind the latest rise in output, according to panellists.

New Orders Index

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

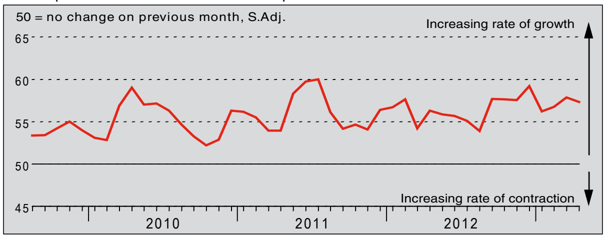


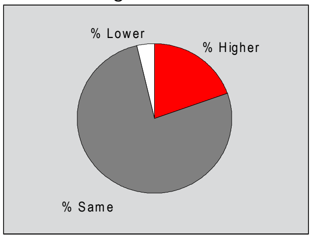


Volumes of incoming new business in Saudi Arabia's non-oil producing private sector continued to increase in April, with 47% of companies reporting higher order book volumes. Some panellists linked the increase to improved marketing efforts. While growth of new work was fractionally down from March, the pace of expansion was sharp and in line with the series average.

New Export Orders Index

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

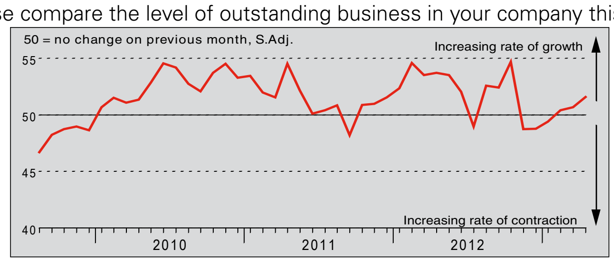


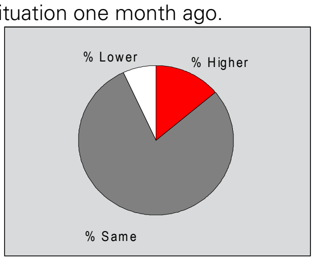


The seasonally adjusted New Export Orders Index posted above the 50.0 mark that separates growth from contraction in April, pointing to a further increase in new business from abroad. Saudi Arabia's non-oil producing private sector companies attributed the increase to good market and economic conditions.

Backlogs of Work Index

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

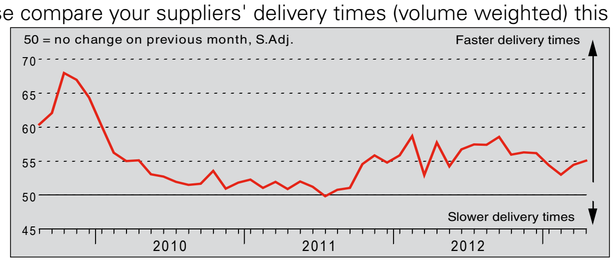


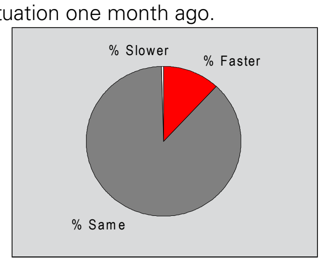


April data suggested a third consecutive monthly increase in outstanding business at non-oil producing private sector firms in Saudi Arabia, as the seasonally adjusted Backlogs of Work Index posted above the no-change mark of 50.0. Work-in hand grew only modestly, although at the fastest pace in six months. According to anecdotal evidence, higher backlogs were partly driven by higher levels of incoming new business.

Suppliers' Delivery Times Index

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

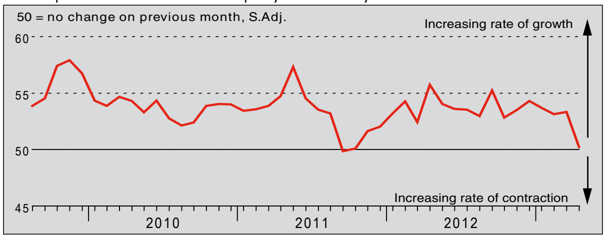


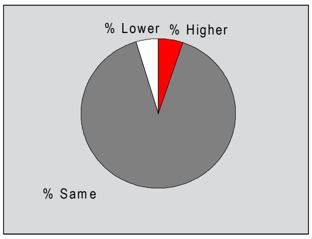


Average lead times on inputs continued to shorten during the latest survey period. Vendor performance has now improved for 21 successive months, and in April, at the sharpest rate since last December. Given increased production requirements, companies reported that quicker delivery times had been agreed with suppliers.

Employment Index

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

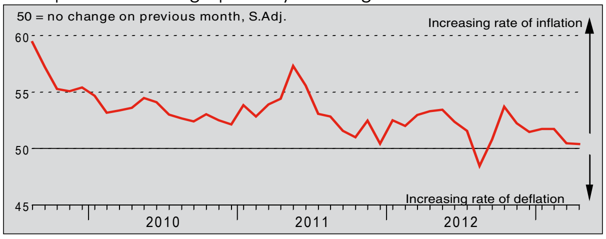


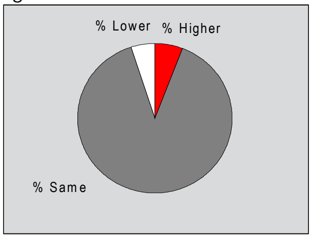


Employment levels at non-oil producing private sector companies in Saudi Arabia increased marginally in April, with the majority of panellists indicating unchanged payroll numbers. While the latest reading extended the sequence of rising workforce numbers to 19 months, the rate of job creation was the weakest in a year-and-a-half.

Output Prices Index

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

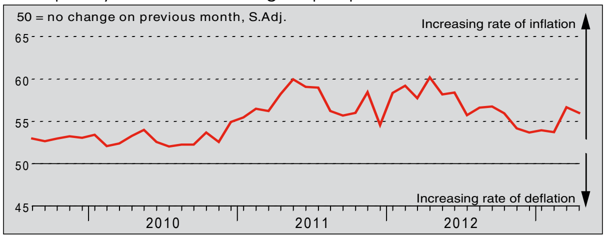


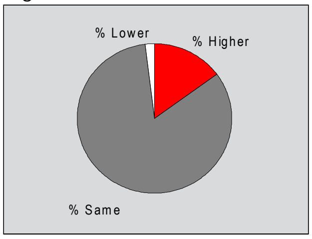


Non-oil producing private sector firms in Saudi Arabia raised their output charges slightly during April. The seasonally adjusted Output Prices Index recorded a level above the neutral 50.0 mark for the eighth month running, but charge inflation eased to the lowest in this sequence. Where a rise in charges was reported, panellists often 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.

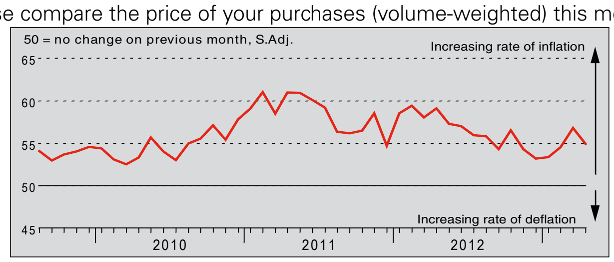


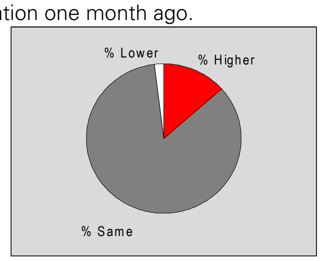


Average input costs rose further during April. Input prices have increased in every month since the beginning of data collection in August 2009, and the rate of cost inflation in April remained above the series average. The latest rise in overall input prices was mainly driven by higher purchase prices.

Input Costs: Purchase Prices Index

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

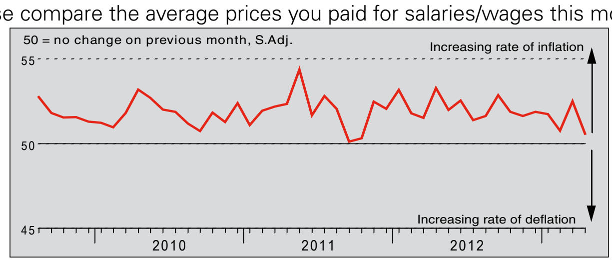


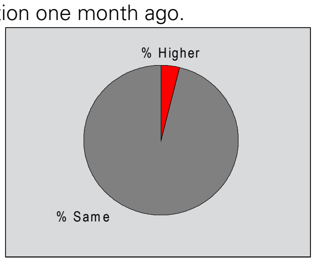


Average purchase prices at non-oil producing private sector companies in Saudi Arabia continued to increase during the latest survey period, with around 13% of panellists facing higher input prices. General inflationary pressures were reported, although the degree to which costs rose was down from the previous survey period and below the series average.

Input Costs: Staff Costs Index

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

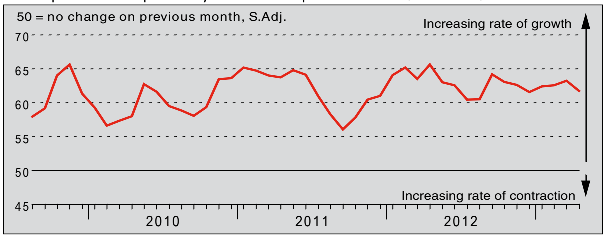


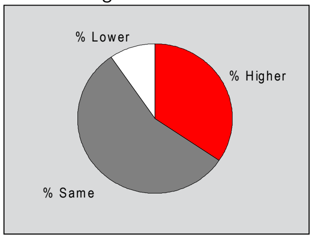


Average salaries in Saudi Arabia's non-oil producing private sector rose further in April, albeit at the slowest pace since October 2011. The seasonally adjusted Staff Costs Index posted near the neutral 50.0 threshold and only 4% of panellists indicated rise in average wages, while the majority reported unchanged staff costs.

Quantity of Purchases Index

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

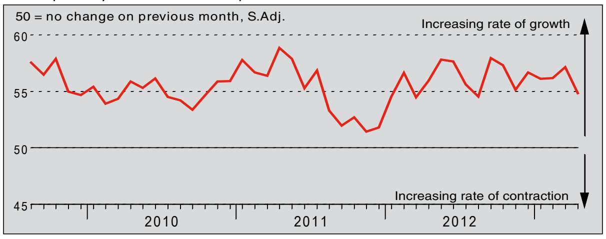


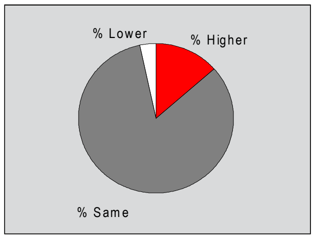


April data indicated a further solid increase in buying at non-oil producing private sector firms in Saudi Arabia, with around 35% of panellists reporting higher purchasing activity. Companies commonly associated the rise in buying with increased new orders. While the rate of expansion moderated to the weakest in four months, it was in line with the series average.

Stocks of Purchases Index

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

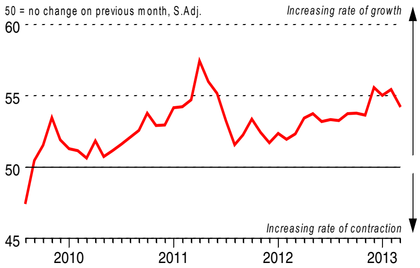




Saudi Arabia's non-oil producing private sector companies registered an increase in pre-production inventories in April. Around 14% of panellists indicated a further accumulation of stocks of purchases and linked this to expected new order growth. Input stocks have risen in every month of the survey history, but the latest pace of growth was the slowest in eight months.

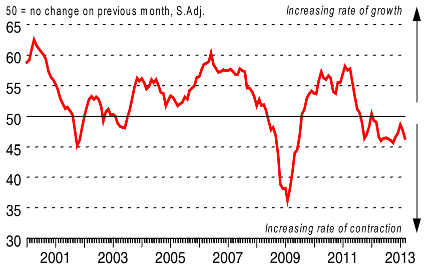
International PMI summary

UAE Purchasing Managers' Index™



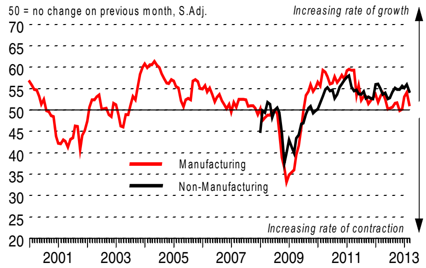
Sources: HSBC, Markit.

Eurozone Purchasing Managers' Index™



Source: Markit.

US Purchasing Managers' Index



Source: ISM.

The headline seasonally adjusted HSBC United Arab Emirates PMI™ – a composite indicator designed to provide a single-figure snapshot of the performance of the non-oil private sector – posted 54.3 in March, down slightly from 55.4 in February. While March data marked the forty-third successive improvement, the latest reading was the lowest in four survey periods.

The final Markit Eurozone PMI® Composite Output Index posted 46.5 in March, down from February's 47.9. The rate of decline in activity accelerated for the second month in a row to reach the fastest since last November. The PMI shows that output has fallen in each of the past 19 months with the sole exception of a marginal increase at the start of last year.

Manufacturing operating conditions in the US continued to improve, as the ISM headline PMI posted 51.3 in March, down from February's 54.2. The latest reading was the weakest in three months. Slower growth was also reported in the non-manufacturing sector, as the headline index posted 54.4 in March, down from 56.0 in the previous survey period.

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