

SABB HSBC Saudi Arabia PMI™

Output growth accelerates to five-month high in September

Summary

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

Following a trend observed throughout the 50-month survey history, operating conditions in Saudi Arabia's non-oil producing private sector improved in September. The headline PMI registered a six-month high of 58.7, up from August's 57.5.

September data signalled a further rise in output levels at Saudi Arabian non-oil producing private sector firms, with the rate of expansion accelerating to a five-month high. Order book volumes also rose at a faster pace, driven mainly by higher construction business, increased sales efforts and improved market conditions.

Client demand from foreign markets strengthened substantially in September, with the growth rate of new export business accelerating to the fastest in the series history. Anecdotal evidence suggested that the rise in new export orders was mainly linked to good market conditions.

The latest survey results signalled a further increase in input costs in Saudi Arabia's non-oil producing private sector. The rate of overall cost inflation was broadly unchanged from August, and in line with the series average. Purchase prices rose at a faster pace, as companies faced a higher market demand for some items. Staff costs, on the other hand, increased at the weakest rate since April. Where higher wages were reported, panel members linked this to increased living costs and performance based pay rises.

In response to increased input costs, Saudi Arabia's non-oil producing private sector companies raised their selling prices in September. The rise in charges followed a two-month period of price discounting.

Employment levels in Saudi Arabia's non-oil producing private sector rose further in September, extending the current sequence of job creation to 24 months. The latest hiring of workers was attributed to increased workloads, according to panellists.

Driven by higher new business, backlogs of work accumulated for the eighth consecutive month in September. The rate of backlog accumulation eased

slightly since August, but was above the series average. Meanwhile, suppliers' delivery times shortened further. The latest improvement in vendor performance was the sharpest since April.

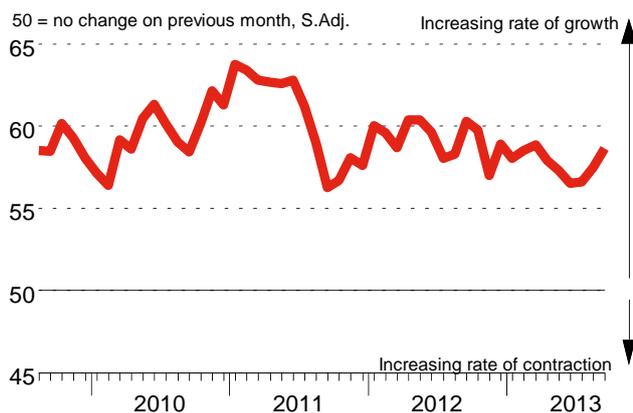
In line with the trends for output and new orders, purchasing activity increased in September. The rate of growth was sharp, although the slowest in four months. Meanwhile, stocks of purchases accumulated at the fastest pace since March.

Key points

- SABB HSBC PMI at 58.7 in September
- Business activity increases as new order growth accelerates
- New export orders increase at fastest pace in survey history
- Output prices rise for first time in three months

Historical Overview

SABB HSBC Saudi Arabia PMI



Sources: Markit, HSBC.

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Notes to Editors:

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. Historical data relating to the underlying (unadjusted) numbers, first published seasonally adjusted series and subsequently revised data are available to subscribers from Markit. Please contact economics@markit.com.

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