

News Release

Embargoed until 0715 AST (0415 UTC) 3 July 2024

Riyad Bank Saudi Arabia PMI®

Business activity growth shows further resilience as demand conditions soften

Key findings

Output rises substantially in June

Slowest uplift in new orders for 29 months

Employment and stock levels continue to rise

The Riyad Bank Saudi Arabia PMI® pointed to another strong improvement in business activity across the non-oil private sector in June, as companies ramped up their output levels to support sales and projects. The uplift in activity came despite further evidence of softening demand prospects, as growth of new order intakes dropped to its weakest level in nearly two-and-a-half years.

Similarly, non-oil businesses reported the slowest rise in input purchases for nearly three years as they looked to temper recent surges in stockpiles, while job creation growth also softened from May. At the same time, there were further reports that the offering of discounts to customers had weighed on overall selling prices and opposing efforts to pass on a solid increase in input prices.

The headline figure is the seasonally adjusted Riyad Bank Saudi Arabia Purchasing Managers' Index™ (PMI). The PMI is a weighted average of the following five indices: New Orders (30%), Output (25%), Employment (20%), Suppliers' Delivery Times (15%) and Stocks of Purchases (10%). For the PMI calculation the Suppliers' Delivery Times Index is inverted so that it moves in a comparable direction to the other indices.

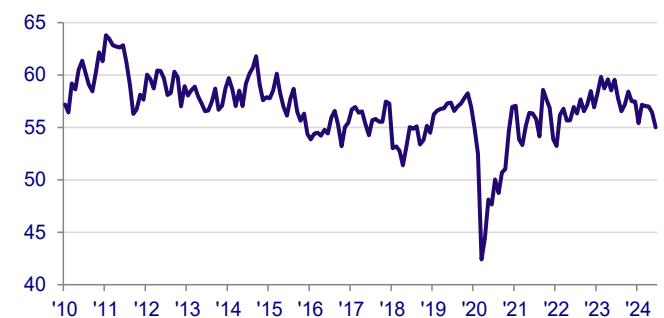
The headline PMI fell for the second month running in June, dropping to 55.0 from 56.4 in May. Although the reading was well above the 50.0 neutral mark, consistent with a robust improvement in business conditions, it was the lowest recorded since January 2022.

The fall in the headline index was largely due to a weaker upturn in new order volumes, with the rate of growth slowing for the third successive month to its least marked in nearly two-and-a-half years. While some non-oil companies reported stronger demand, new client intakes and business development spending, others signalled a softening of market conditions. Overall new order books were partly helped by a solid increase in export sales which was also the fastest recorded in 2024 so far.

Despite the sustained easing of new order growth, non-oil businesses continued to report a considerable increase in activity,

Riyad Bank Saudi Arabia PMI

sa, >50 = improvement since previous month



Sources: Riyad Bank, S&P Global PMI.
Data were collected 9-20 June 2024.

Comment

Naif Al-Ghaith PhD, Chief Economist at Riyad Bank, said:

"The Purchasing Managers' Index (PMI) for the non-oil economy recorded at 55.0 in June, marking the slowest pace of expansion since January 2022. The new orders component of the PMI fell compared to the previous month, suggesting a slight moderation in demand growth within non-oil sectors. Despite this slowdown, the growth in non-oil sectors was supported by a strong increase in output levels. Employment numbers also rose, while suppliers' delivery times continued to improve.

"Looking at the second quarter as a whole, the growth figures for Q2 still indicate a positive outlook for non-oil GDP in Saudi Arabia, with expectations of growth exceeding 3%. The overall performance of non-oil sectors throughout the quarter continues to drive economic growth and diversification efforts in the country. The high output levels, stable supply chains, and moderate job creation point towards a resilient and expanding non-oil economy."

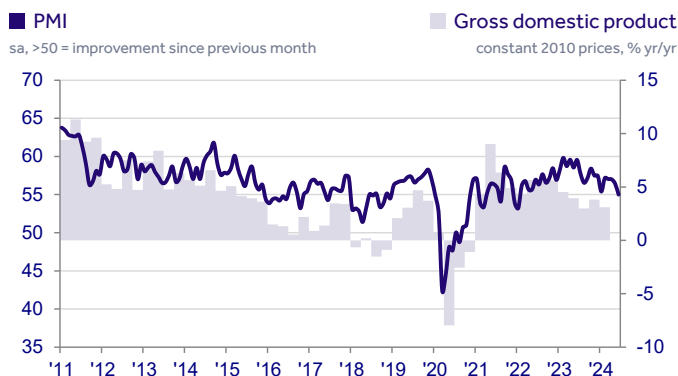
with June data pointing to a strengthening of growth. Survey panellists often indicated that existing order books were sufficient to advocate for an expansion in output, which subsequently led to a reduction in backlog volumes.

With output requirements growing, non-oil firms also reported a sustained uplift in their staffing numbers. However, amid some evidence of companies placing tighter constraints on operational costs due to wage pressures, the rise in staffing was only modest and milder than in May.

Similarly, after a period of unprecedented inventory growth in recent months, businesses showed a greater desire to temper their purchasing activity. Although input purchases continued to rise, the rate of expansion was the weakest recorded since September 2021. The slowdown resulted in a decelerated, but still sharp increase in inventory volumes, particularly as vendors continued to make quicker deliveries.

On the price front, the latest survey data signalled another marginal rise in prices charged in June, as the need to pass on cost increases continued to be offset by discounting efforts amid strong competition. The suppressed rate of charge inflation occurred despite overall input prices rising at their fastest pace in four months. Wages, materials and technology costs were often cited as drivers of price pressures.

Output expectations for the year ahead ticked higher in June, but remained low compared to historical standards. Improving market conditions were mostly cited as a reason for optimism.



Contact

Naif Al-Ghaith
Chief Economist
Riyad Bank
T: +966-11-401-3030 Ext.: 2467
naif.al-ghaith@riyadbank.com

Deema AlTurki
Senior Economist
Riyad Bank
T: +966-11-401-3030 Ext.: 2478
deema.alturki@riyadbank.com

David Owen
Senior Economist
S&P Global
T: +44 1491 461 002
david.owen@spglobal.com

Sabrina Mayeen
Corporate Communications
S&P Global Market Intelligence
T: +44 7967 447 030
sabrina.mayeen@spglobal.com

If you prefer not to receive news releases from S&P Global, please email katherine.smith@spglobal.com. To read our privacy policy, [click here](#).

Survey methodology

The Riyadh Bank Saudi Arabia PMI[®] is compiled by S&P Global from responses to questionnaires sent to purchasing managers in a panel of around 400 private sector companies. The panel is stratified by detailed sector and company workforce size, based on contributions to GDP. The sectors covered by the survey include manufacturing, construction, wholesale, retail and services. Data were first collected August 2009.

Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. The indices vary between 0 and 100, with a reading above 50 indicating an overall increase compared to the previous month, and below 50 an overall decrease. The indices are then seasonally adjusted.

The headline figure is the Purchasing Managers' Index[™] (PMI). The PMI is a weighted average of the following five indices: New Orders (30%), Output (25%), Employment (20%), Suppliers' Delivery Times (15%) and Stocks of Purchases (10%). For the PMI calculation the Suppliers' Delivery Times Index is inverted so that it moves in a comparable direction to the other indices.

Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

For further information on the PMI survey methodology, please contact economics@spglobal.com.

About PMI

Purchasing Managers' Index[™] (PMI[®]) surveys are now available for over 40 countries and also for key regions including the eurozone. They are the most closely watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends.
www.spglobal.com/marketintelligence/en/mi/products/pmi

Disclaimer

The intellectual property rights to the data provided herein are owned by or licensed to S&P Global and/or its affiliates. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without S&P Global's prior consent. S&P Global 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 S&P Global be liable for any special, incidental, or consequential damages, arising out of the use of the Data. Purchasing Managers' Index[™] and PMI[®] are either trade marks or registered trade marks of S&P Global Inc or licensed to S&P Global Inc and/or its affiliates.

This Content was published by S&P Global Market Intelligence and not by S&P Global Ratings, which is a separately managed division of S&P Global. Reproduction of any information, data or material, including ratings ("Content") in any form is prohibited except with the prior written permission of the relevant party. Such party, its affiliates and suppliers ("Content Providers") do not guarantee the accuracy, adequacy, completeness, timeliness or availability of any Content and are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, or for the results obtained from the use of such Content. In no event shall Content Providers be liable for any damages, costs, expenses, legal fees, or losses (including lost income or lost profit and opportunity costs) in connection with any use of the Content.