

News Release

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Riyad Bank Saudi Arabia PMI®

Stronger uplift in sales drives Saudi Arabia PMI to six-month high in October

Key findings

Demand growth highest since March

Selling prices rise for first time since June

Cost burdens accelerate

Business conditions in the Saudi Arabian non-oil private sector economy improved at its fastest pace for six months in October according to latest survey data. The stronger uplift was largely due to a sharper increase in sales, which supported further expansions in business activity, employment, purchasing activity and stocks. However, the robust improvement across the sector was accompanied by a build-up of cost pressures for both materials and staff, which in turn led to the first increase in average prices charged for four months.

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 rose for the third month in a row in October, increasing to 56.9 from 56.3 in September. The reading was the strongest recorded for six months, signalling another sharp upturn in operating conditions across the non-oil private sector. Notably, the PMI was exactly aligned with its long-run average.

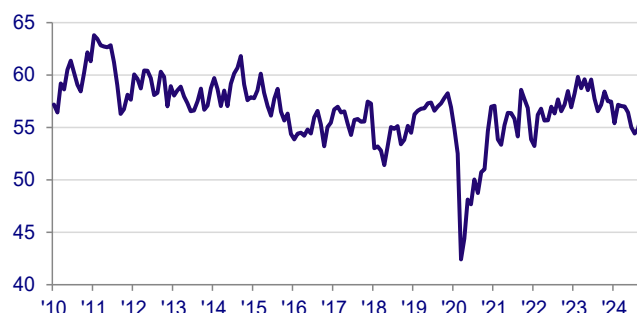
The rise in the PMI was mainly driven by a stronger increase in sales volumes in October, as businesses commented on higher client demand and a general uplift in economic conditions. New customer arrivals, successful marketing strategies and increased infrastructure development were also cited by survey respondents as supporting new business growth, which reached its highest level since March.

Subsequently, companies expanded their business activity levels, with the rate of increase also quickening from September. The survey data continued to signal a broad-based expansion, with the four main sectors monitored all noting a sharp upturn. In addition, firms continued to give a positive outlook for future activity, with optimism climbing from the previous month.

Upwards momentum encouraged non-oil companies to raise their purchasing activity once again in October. After dropping to a

Riyad Bank Saudi Arabia PMI

sa, >50 = improvement since previous month



Sources: Riyad Bank, S&P Global PMI.

Data were collected 10-23 October 2024.

Comment

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

"In October 2024, Saudi Arabia's non-oil private sector maintained its upward trajectory, with the PMI rising to 56.9 from 56.3, highlighting the nation's robust economic health. This growth is part of a steady expansion trend since September 2020, driven by increasing demand and aligning with the goals of Vision 2030. The comprehensive sectoral gains reflect a strong business environment, supported by government initiatives and heightened private sector engagement, aligning with ongoing projects under Vision 2030 that aim to diversify the economy and reduce reliance on oil.

"The significant increase in new orders this month, with the New Orders Index reaching its highest point since March, underscores the success of Vision 2030's strategic focus on innovation and infrastructure development. Over 40% of surveyed companies reported a surge in demand, spurred by robust domestic client interest, creative marketing strategies, and continuous infrastructure investments. These elements underscore Saudi Arabia's economic resilience and high market confidence, further solidifying its position as a leading non-oil economy in the region.

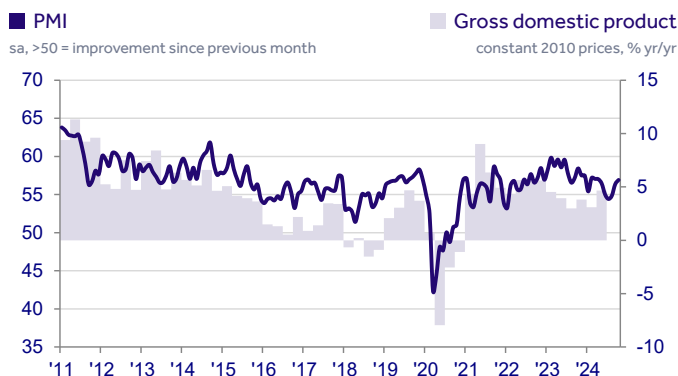
"With this ongoing expansion, the non-oil sector's contribution is projected to exceed 52% of the overall GDP and grow beyond 4% in 2024, reflecting the successful implementation of Vision 2030 and its associated projects."

three-year low in September, the pace of input buying growth also picked up, though remained subdued compared to levels seen at the start of the year, as many firms continued to report sufficient inventories. Nonetheless, stocks of inputs rose markedly again in October.

Labour capacity was also raised as firms took on extra workers for the sixth successive month. This enabled businesses to remain on top of workloads and curtail their levels of work-in-hand. Although the pace of job creation remained stronger than average, it eased for the second month in a row, partly due to a reduction in staff in the construction sector.

Meanwhile, October saw an uptick in the survey's price metrics, as increases in material costs and wages underscored a solid rise in overall input costs. The rate of salary inflation was particularly marked, with the respective index at one of its highest levels in the survey's history.

Consequently, total input price inflation rose to its sharpest pace since the beginning of the year, leading to the first increase in average prices charged in four months. The moderate rise in charges was also the strongest since January, although it was largely based on the manufacturing and wholesale & retail sectors. Construction and services firms continued to offer discounts on their prices, with survey comments often showing that market competition remained a key threat to sales volumes.



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

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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.

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