

News Release

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Riyad Bank Saudi Arabia PMI®

Strong growth of non-oil economy sustained

Key findings

Output and new orders rise sharply, albeit at slower rates

Jobs growth softens

Price pressures broadly stable

September's PMI® data from Riyad Bank pointed to the ongoing marked expansion of the Saudi Arabian non-oil private sector economy. Growth was underpinned by strong gains in both output and new orders, whilst firms continued to bolster their purchasing activity. Job creation was also sustained, but at a slower pace as confidence softened a little compared to August. Cost pressures remained broadly stable, whilst output charges rose only modestly.

After accounting for the usual seasonal factors, the headline Riyad Bank Saudi Arabia Purchasing Managers' Index™ (PMI®) - which is a composite index created from five of the 13 sub-indices that constitute the survey - recorded 56.6 in September. Although down on August's 57.7, and thereby signalling a slower rate of expansion, the PMI signalled an improvement in the health of the Saudi Arabian non-oil private sector economy for a twenty-fifth successive month. Readings above the 50.0 no-change mark signal growth, whereas those below 50.0 signal a contraction.

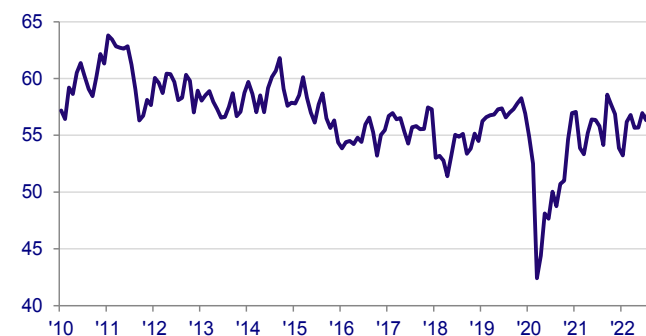
Two of the key components of the PMI, output and new orders, remained firmly inside positive territory during September, again expanding at strong rates. Panellists widely commented on the positive interaction between demand and production: new orders were reported to have risen on the back of firm market demand and the high quality of goods and services on offer. In turn, this helped to drive overall output upwards. Sales and production have now both risen for 25 successive months, with sector data indicating broadly consistent gains across the non-oil private sector economy.

As production and demand requirements increased so did purchasing activity. Growth was again marked, albeit down on August's seven-year high, as firms sought to maintain inventory levels at a time of high current and expected sales demand. Stocks of purchases subsequently increased, although growth was noticeably lower, easing to its softest since November 2021. Average lead times also continued to improve despite ongoing strength in input demand as vendors continued to make efficient and quick deliveries wherever required.

Latest data showed that rising activity at their units encouraged the further recruitment of new staff, although growth was only

Riyad Bank Saudi Arabia PMI

sa, >50 = improvement since previous month



Sources: Riyad Bank, S&P Global.

Data were collected 11-22 September 2022.

Comment

David Owen, Economist at S&P Global Market Intelligence, said:

"Albeit down on August, Saudi Arabia's non-oil private sector economy retained an impressive pace of growth during September, especially against the backdrop of increasingly challenging global economic conditions. Both output and new orders rose at rates above their averages for their current 25-month growth sequences, whilst confidence in the quality of goods and services provided meant firms expect to successfully convert into hard contract wins a high proportion of what is an extremely positive pipeline of new business.

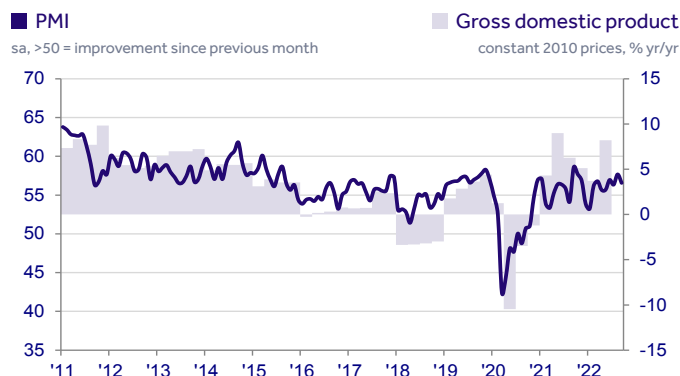
"Moreover, with costs rising at a broadly average rate, combined with a keenness amongst non-oil companies to maintain competitive pricing policies, inflationary pressures presently appear to be contained. Indeed, the latest survey showed output prices rising at a rate broadly in line with trend in September."

marginal and the weakest in the current six-month sequence. Placing some restriction on growth in staffing levels was firms' ongoing ability to keep on top of workloads: backlogs of work fell for a fourth month in a row, and again at a solid rate.

Meanwhile, non-oil businesses recorded another month of solid input price inflation. Purchasing cost inflation was the principal driver of higher overall operating expenses, amid reports that prices of globally sourced raw materials and oil-related products had again risen. Staffing expenses also increased, but only marginally and at the slowest rate since June. Construction companies reported by far the biggest rises in costs in September.

Output price inflation was sustained as firms responded to higher operating costs during September. However, the rate of increase was only modest. Firms indicated a desire to maintain pricing policies that ensured ongoing competitiveness in the marketplace.

Finally, firms retained a high degree of confidence that production will continue to increase over the coming 12 months. This was linked to expectations of a continuation of strong sales amid high enquiry levels and a strong pipeline of new work. That said, sentiment was a little lower and down to its weakest since May.



Contact

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

Bader Al-Abdulqader
Assistant Vice President
Senior Economist
Riyad Bank
Tel.: +966-11-401-3030 Ext.: 2469
bader.al-abdulqader@riyadbank.com

David Owen
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@ihsmarkit.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.
ihsmarkit.com/products/pmi.html.

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