

Riyad Bank Saudi Arabia PMI®

Saudi Arabia PMI survey signals strongest business outlook since January 2021

Key findings

Year-ahead expectations reach 21-month high

Output and new orders continue to rise sharply

Price pressures soften to lowest since February

The Saudi Arabia PMI® from Riyad Bank signalled a robust strengthening of business conditions in the non-oil private sector economy in October, as strong demand and rising new work inflows supported a sharp rise in activity. Firms in the survey panel commonly reported improving domestic economic conditions and softening inflationary pressures, which led to the most optimistic outlook for future output since the beginning of 2021.

Meanwhile, suppliers' delivery times continued to shorten at the start of the fourth quarter, enabling firms to raise their purchasing activity and inventories. Employment also rose, albeit only slightly, helping businesses to work through outstanding work and keep capacity levels strong.

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.

At 57.2 in October, up from 56.6 in September, the headline PMI posted well above the 50.0 mark which separates growth from contraction, to indicate a sharp improvement in operating conditions across the Saudi Arabian non-oil private sector. The reading was also the second-highest in a year, recording only slightly below August's recent high.

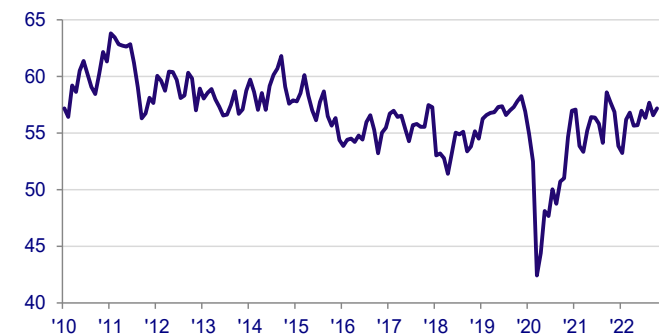
The two largest components of the PMI, the Output and New Orders indices, continued to signal robust expansions in both activity and sales at the start of the fourth quarter. Companies often reported that improving market conditions drove a sharp rise in new work, whilst ongoing projects also supported increased output volumes. These upturns were broadly aligned with the trends seen since the survey began in August 2009.

Sales growth was supported by rising demand from foreign markets during October, as new export orders increased at the sharpest rate in almost a year. This also marked the first acceleration in exports growth since July.

Detailed sector data showed that the strong business

Riyad Bank Saudi Arabia PMI

sa, >50 = improvement since previous month



Sources: Riyad Bank, S&P Global.
Data were collected 12-21 October 2022.

Comment

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

"Saudi Arabian non-oil businesses signalled a strong degree of confidence in future economic conditions in October. The outlook for the next 12 months rose to its highest level since the beginning of 2021, as firms suggested that the current robust level of growth is likely to continue.

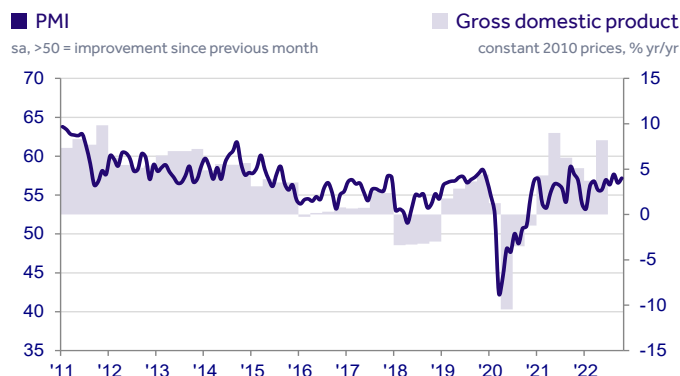
"At the same time, business activity and new orders rose sharply again, with firms seeing client demand strengthen at a robust rate. Over a third of survey respondents noted that new orders had increased since the previous survey in September. This was helped by a softening of price pressures; input costs rose at the slowest pace since February, which translated into only a modest uptick in selling charges."

performance was spread widely across the non-oil economy in the latest survey period. Output expansions were seen in the manufacturing, construction, wholesale & retail and services categories, with the strongest upturn registered among goods producers.

The latest survey data suggested that firms expect operating conditions to remain robust over the coming year. Output expectations climbed to their highest level since January 2021, as panellists cited hopes of higher sales and sustained economic growth.

As a result, firms raised their input purchasing activity sharply in October, allowing them to build inventories in case of stronger sales. Lead times on inputs shortened from the prior month, but only at a modest rate. Businesses also reported a slight increase in employment, which supported a further reduction in backlogs of work.

Inflationary pressures softened notably in October, with companies reporting the slowest rise in input costs for eight months. In fact, only 4% of respondents noted higher expenses since September, as wage costs were broadly stable after seven consecutive months of inflation. Output charges subsequently rose only modestly, with upticks led by wholesale & retail and services firms.



Sources: Riyad Bank, S&P Global, GaStat.

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Survey methodology

The Riyad 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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