

# News Release

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## Riyad Bank Saudi Arabia PMI®

### Rapid expansion of non-oil private sector signalled during June

#### Key findings

Strong gains in both output and new orders recorded

Unprecedented growth in purchasing activity

Employment rises to strongest degree since August 2015

The Saudi Arabian non-oil private sector expanded sharply during June, according to the latest data from the Riyad Bank Saudi Arabia Purchasing Managers' Index™ (PMI®). Both output and new orders rose at accelerated, multi-year record rates. In response, firms boosted their purchasing activity at the fastest pace in the survey history as they sought to meet higher business requirements and bolster stock. Jobs growth was maintained, and some firms reported paying higher wages to retain experienced staff.

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.

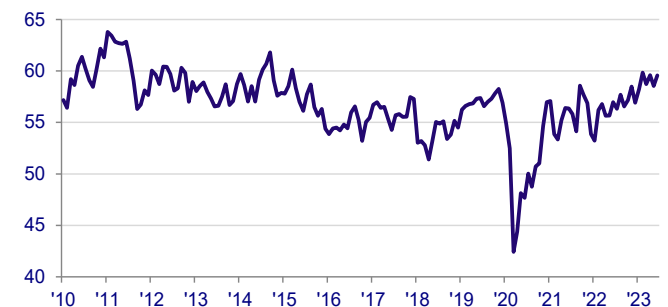
June's headline PMI number came in at 59.6, up on May's 58.5 and again indicative of a strong, above trend rate of growth. Despite its high reading, the index somewhat belied considerable improvements in both output and new orders. Latest data showed that output rose at the steepest rate since March 2015, whilst sales growth was the strongest for nearly nine years. Panellists widely reported that underlying demand and market conditions were extremely positive, with sales rising both inside and outside of Saudi Arabia. Manufacturers performed especially well overall, according to the latest sectoral breakdown of the PMI data.

Firms responded positively to the upward trends in activity and sales by concurrently increasing their purchasing activity at a survey record rate. Companies also sought to bolster stocks to prepare for expected growth in the coming months, with the rate of inventory accumulation reaching a ten-month high. Confidence in the outlook remained positive, rising to its highest since January. Anecdotal evidence suggested that firms expect to benefit from government backed investment and infrastructure projects over the coming year. Constructors were especially optimistic.

Facing higher overall workloads, firms perhaps understandably

Riyad Bank Saudi Arabia PMI

sa, >50 = improvement since previous month



Sources: Riyad Bank, S&P Global PMI.  
Data were collected 12-22 June 2023.

#### Comment

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

"The Kingdom's non-oil private sector remained on a steeply upward growth trajectory by the end of the second quarter, as inflows of new business accelerated, particularly in construction and tourism activities. The sub-indices for output (66.1) and new orders (69.5) accelerated to multi-year record rates, boosting the headline Riyad Bank PMI to 59.6, well above the long-run trend level and slightly lower than February's level that was the highest in eight years.

"All other components of the index were positive. Heightened demand and improved market conditions have accelerated employment growth to the highest level since August 2015 as well as purchasing activities. Yet this economic spike may contribute to increased inflationary pressures alongside reported increases in staff and construction material costs. Moreover, supply chains were able to cope with greater demand, as lead times improved at the sharpest rate in 13 years, which effectively capped further increases in prices charged to customers.

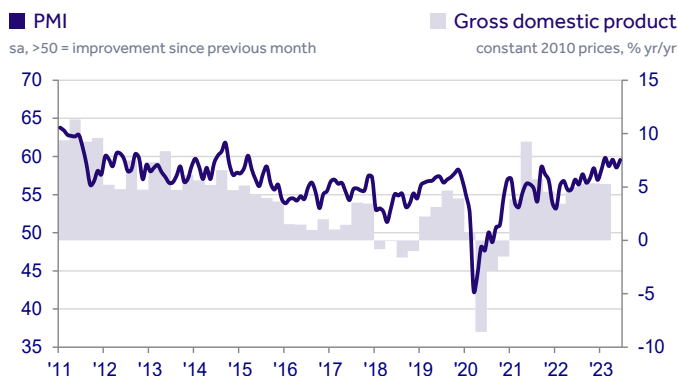
"Looking ahead, positive sentiments for activity are still strong. The recent pick-up in demand and sales has improved confidence across industries and expectations of an extension of these positive trends in the coming months. Ultimately, the Government backed investments, particularly in construction/ infrastructure projects remain to be vital for business activity."

took on additional workers during the month. Overall, employment growth picked up, reaching its strongest level since August 2015. There were reports that workers had been recruited to a variety of positions like marketing, accounts, and technology. Heightened recruitment activity reflected in part a desire amongst firms to keep on top of overall workloads. These efforts were generally successful, with backlogs of work declining in June for a thirteenth successive month.

Taking on new staff came with the additional cost of raising average wage levels. Latest data showed that staff cost inflation was unchanged at a solid, but still historically high rate in June. Increased salary payments also reflected a need to retain existing staff, with reports of higher wages being paid to keep experienced workers.

Purchase costs also increased over the month, although the rate of inflation maintained its recent steady descent to its lowest level since January. This in part reflected a rapidly improving supply-side situation, as evidenced by a near survey record shortening of average lead times in June.

Finally, firms sought wherever possible to pass on increased operating expenses to their clients. However, competitive pressures ensured that output charges rose only marginally overall and to the lowest degree for 16 months.



Sources: Riyadh Bank, S&P Global PMI, GaStat via S&P Market Intelligence

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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](mailto: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](https://ihsmarkit.com/products/pmi.html).

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