

# News Release

Embargoed until 0715 AST (0415 UTC) 3 August 2023

## Riyad Bank Saudi Arabia PMI®

### Strong business conditions continue, but new order growth loses momentum in July

#### Key findings

Headline PMI slips to a seven-month low

New business gains are the weakest in 2023 so far

Output growth holds close to June's peak

July data from the Riyad Bank Saudi Arabia Purchasing Managers' Index™ (PMI®) signalled another strong performance for the non-oil private sector as favourable domestic economic conditions underpinned a sharp upturn in business activity. That said, overall growth lost momentum since June, mostly reflecting the slowest rise in new work for seven months and a slightly weaker pace of job creation.

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 57.7 in July, the headline PMI was down from 59.6 in June and the lowest since December 2022. Any figure above 50.0 indicates an overall improvement in business conditions. The latest reading was slightly above the long-run survey average (56.9) and signalled strong underlying business conditions, despite the slowdown since June.

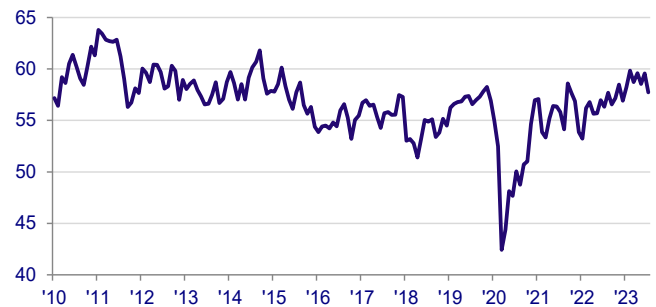
Weaker new order growth was the main factor holding back the headline PMI in July. Although still sharp, the rate of new business expansion eased considerably after reaching its highest level for over eight years in June. Moreover, the latest rise in new work was the slowest for seven months. Survey respondents often commented on intense competitive pressures and subsequent price discounting to stimulate sales.

In contrast to the trend for new orders, latest data indicated that business activity growth held close to that seen in the previous month. By sector, the fastest rates of output expansion were reported by manufacturing and construction companies.

Output levels were supported by efforts to catch up on unfinished work in July. This was signalled by a reduction in outstanding business for the fourteenth consecutive month. That said, the rate of backlog depletion was only marginal and the slowest since April.

Riyad Bank Saudi Arabia PMI

sa, >50 = improvement since previous month



Sources: Riyad Bank, S&P Global PMI.  
Data were collected 12-21 July 2023.

#### Comment

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

"The effects from tighter monetary condition have started to be mildly felt across the Kingdom's private sector in July after a strong first half performance. To some extent, the slowdown in business activity was expected and owed to business cycle dynamics and ongoing market repricing adjustments. Furthermore, rising cost of capital and intense competitive pressures are among the factors holding back new business expansion.

"The Riyad Bank headline PMI registered 57.7 in July and while the index still signals strong performance, it is at the lowest level since December 2022 as the rate of growth in new orders moderated since June, which was the highest since 2014. However, the reading is still above the long-run trend despite this monthly slowdown. In terms of prices, inflationary pressures eased from June, with cost burdens rising at the softest pace since October 2022. This, combined with increased competition, resulted in a reduction in output charges for the first time in nearly two-and-a-half years.

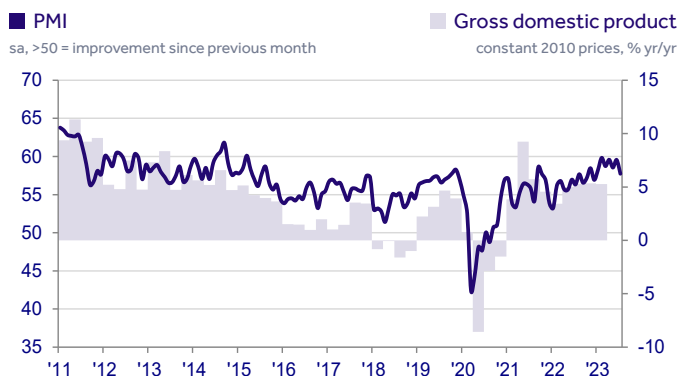
"That being said, future business sentiment remained robust in July, which typically reflects confidence regarding the domestic economic outlook and an anticipated rise in customer demand. Although the degree of optimism eased from June, businesses remained optimistic on new project spending by the government that will allow for further business expansion plans."

Survey respondents often noted long-term business expansion plans and subsequent efforts to boost operating capacity in July. This contributed to a rise in employment numbers for the sixteenth month in a row, although the pace of hiring was the joint-weakest since November 2022.

Forthcoming new projects and planned business activity growth supported a sharp rise in input buying across the non-oil private sector during July. Some firms were more cautious about their inventory levels, however, which led to the slowest accumulation of pre-production stocks since April. Meanwhile, supplier performance continued to improve at a strong pace. Survey respondents noted successful negotiations to improve delivery times, in part linked to advance payments and local sourcing of suppliers.

Input cost inflation was only modest in July, and eased to its lowest for nine months. This reflected softer increases in both purchasing prices and staff wages, with the former rising at the joint-lowest pace since August 2021. Lower cost inflation and strong competition for new work resulted in a reduction in output charges for the first time in nearly two-and-a-half years.

Meanwhile, business expectations for the next 12 months remained upbeat in July. That said, the degree of optimism was the second-lowest in 2023 so far, with some firms noting concerns about rising competition and difficulties stimulating demand despite the strong economic backdrop.



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

## Contact

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

Bader Al-Abdulqader  
Senior Economist  
Riyad Bank  
Tel.: +966-11-401-3030 Ext.: 2469  
[bader.al-abdulqader@riyadbank.com](mailto:bader.al-abdulqader@riyadbank.com)

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

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

If you prefer not to receive news releases from S&P Global, please email [katherine.smith@spglobal.com](mailto: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@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).

## 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 registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited 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.