

# News Release

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## Riyad Bank Saudi Arabia SME PMI®

### New Riyad Bank SME PMI® signals fastest upturn in business conditions since April

#### Key findings

Order books improve to the greatest extent for five months

Moderate rate of SME job creation maintained

Year ahead business expectations pick up since September

Margins squeezed by rising costs and falling prices charged

The Riyad Bank Saudi Arabia SME PMI® is a new quarterly report designed to monitor business conditions at small and medium-sized enterprises (SMEs).

SMEs play a key role towards economic growth and job creation around the world. The Kingdom of Saudi Arabia recognises the pivotal role of SMEs and aims to increase their contribution from 20% to 35% of GDP by 2030.

The report highlights robust growth across the SME economy so far in 2024. Business activity expanded at the fastest pace for four months in October, driven by stronger order books and sustained job creation. Survey respondents widely cited improving domestic sales and growth opportunities linked to Vision 2030 investment spending. Meanwhile, rising competition and pressure to discount prices were key challenges, leading to squeezed margins at SMEs.

At 56.4 in October, up fractionally from 56.2 in September, the headline seasonally adjusted Riyad Bank Saudi Arabia SME Purchasing Managers' Index™ (PMI®) was well above the neutral 50.0 threshold. The latest reading marked four years of continuous improvement and signalled the strongest upturn in overall SME business conditions since April.

October data indicated that output growth gained momentum for the second month running and was the strongest since June. SMEs noted that successful investments in sales and marketing initiatives, alongside supportive domestic economic conditions, had helped to boost business activity expansion.

Riyad Bank Saudi Arabia SME PMI

sa, >50 = improvement since previous month



Sources: Riyad Bank, S&P Global.

Total new work increased at the steepest pace for five months in October. Higher levels of new work often reflected rising demand related to infrastructure projects, as well as greater tourism and leisure spending. However, some SMEs suggested that intense competition had resulted in price discounting and lower margins to secure new work. This was signalled by a decline in average prices charged for the fourth consecutive month.

Stronger order books and project starts led to a rise in staffing numbers for the third month running. Job creation also reflected upbeat growth expectations for the year ahead. The Future Output Index registered 56.0 in October, up from 54.0 in September and well above the neutral 50.0 threshold. Moreover, the latest reading signalled a stronger degree of positive sentiment than seen on average in Q3 2024 (54.9).

Survey respondents widely commented on upbeat growth projections linked to improving sales pipelines and supportive domestic economic conditions. Construction sector SMEs typically noted tender opportunities linked to major infrastructure projects, as well as a boost from commercial work and investments in the tourism sector. Manufacturing SMEs commented on opportunities related to economic diversification and support for domestic supply chains. SMEs in the service and retail sectors mostly noted resilient consumer demand and expanding domestic markets.

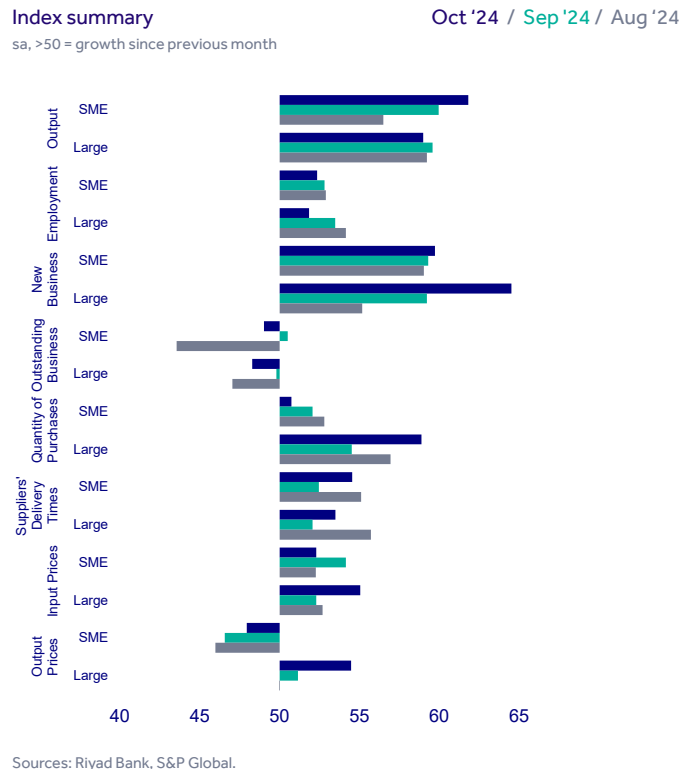
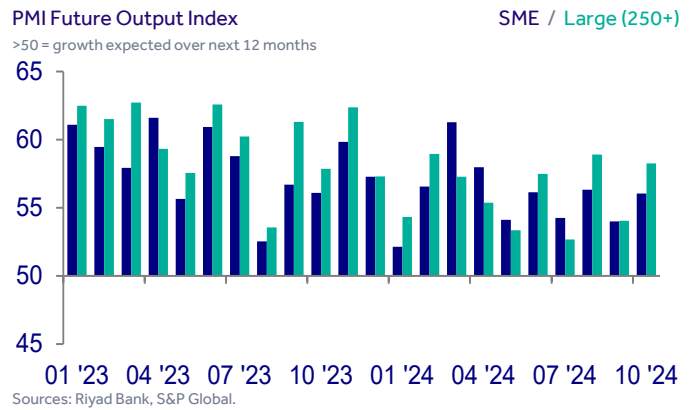
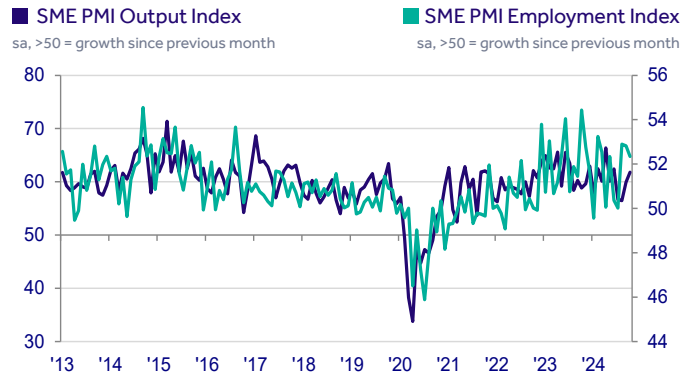
### Comment

Naif Al-Ghaith PhD, Chief Economist at Riyad Bank, said:  
 "The recent findings from the index highlight a period of an expansion for SMEs, aligning with the strategic vision to amplify their contribution to the GDP to 35%. This growth is mirrored in the broader economic landscape, particularly the non-oil GDP, which is anticipated to exceed a 4% growth rate this year.

"The October results are particularly noteworthy, indicating robust expansion within the SME sector. This expansion runs parallel to the non-oil GDP growth, suggesting a healthy economic environment conducive to business development. The strong sales figures reported by SMEs are a testament to favorable economic conditions that have effectively stimulated both consumer and business activities. These conditions have spurred an increase in new work and projects, particularly in infrastructure, reflecting a growing demand in this critical sector.

"One of the highlighted outcomes of this growth is the strengthening of order books and the initiation of new projects, leading to a rise in staffing levels within SMEs. This increase in employment opportunities is reflected in the national unemployment figures, with Saudi national unemployment rate reaching 7.1% in Q2. This trend underscores the vital role that SMEs play in job creation and economic stability, highlighting their contribution to reducing unemployment and supporting economic diversification.

"The construction sector, in particular, has seen substantial progress, driven by SME involvement in various projects. The performance of SMEs linked to economic diversification initiatives has also been impressive, showcasing their adaptability and capability to thrive in a dynamic market environment. This success is indicative of the broader strategic efforts to diversify the economy beyond oil, positioning SMEs as pivotal players in this transformation."



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### Survey methodology

The Riyad Bank Saudi Arabia SME PMI® is a new quarterly report compiled by S&P Global, designed to monitor business conditions among enterprises with less than 250 employees. The index is compiled from responses to monthly questionnaires sent to purchasing managers that participate in the Riyad Bank Saudi Arabia Whole Economy PMI® surveys. The panel of around 300 private sector companies 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. SME data are available from January 2013.

The report was based on data collected in October 2024. The next Riyad Bank Saudi Arabia SME PMI® report will be published in January 2025, featuring data compiled in each month of Q4 2024.

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](mailto: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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