

News Release

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Riyad Bank Saudi Arabia PMI®

Employment growth rises to joint-highest in over a decade

Key findings

Hiring strengthens amid sharp rise in business activity

Growth of new orders eases to eight-month low

Staff cost inflation climbs to record high

The Riyad Bank Saudi Arabia PMI® signalled a strong increase in employment levels across the non-oil private sector in April. The rate of hiring growth accelerated to its joint-fastest pace in ten-and-a-half years, matching the level recorded in October 2023, as firms expanded their staffing capacity in response to rising sales and increased activity.

As a result, the pace of staff cost inflation surged to a record high in April, reversing the slowdown in cost pressures seen during March. Meanwhile, rising purchasing activity exerted additional pressure on material prices, as companies aimed to bolster their inventories amid a positive demand outlook.

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.

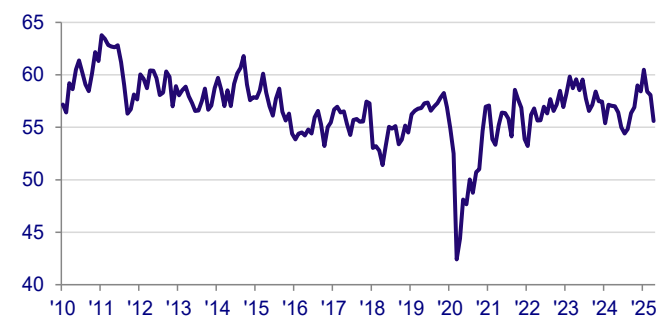
At 55.6 in April, the PMI indicated a solid improvement in business conditions among non-oil private sector firms, despite a decline from 58.1 in March, marking its lowest level since August 2024. The decrease in the index was primarily driven by a drop of over four points in the New Orders sub-component.

Business activity at Saudi Arabian non-oil companies increased sharply at the start of the second quarter, with firms commonly reporting an expansion in output due to higher sales, new project approvals, and strong tourist numbers. Although the rate of output growth was marked, it was the slowest in seven months, partly attributed to a softer increase in sales volumes. In some instances, firms noted that global economic uncertainty had impacted client spending, while others cited rising competitive pressures.

Employment numbers rose at a steep pace in April, continuing the strong growth trend observed since February. Notably, the latest increase in workforces was the joint-fastest since October 2014, with the respective index matching its print from October 2023.

Riyad Bank Saudi Arabia PMI

sa, >50 = improvement since previous month



Sources: Riyad Bank, S&P Global PMI.
Data were collected 9-22 April 2025.

Comment

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

"As of April 2025, Saudi Arabia's non-oil economy continues to assert itself as a pivotal component of the nation's economic landscape. Reflecting on the previous year's performance, Saudi Arabia recorded a 1.3% real GDP growth in 2024, significantly bolstered by a 4.3% expansion in non-oil activities and a 2.6% rise in government services. This growth was achieved despite a 4.5% contraction in oil activities, resulting from voluntary output reductions aligned with the OPEC+ agreement. The diversification efforts have continued to bear fruit, underscoring the Kingdom's strategic shift away from oil dependency toward a more balanced and sustainable economic framework.

"Moving into 2025, the economic outlook for Saudi Arabia remains positive. Forecasts suggest a 3% expansion in overall GDP and a 4.5% increase in non-oil sectors, continuing the upward trajectory in non-oil activities. This growth is crucial for sustaining the economic transformation outlined in Vision 2030, which aims to foster diverse, innovative industries.

"Inflation has been another notable aspect of the 2025 economic environment, with the annual rate reaching 2.3% in March, rising from 2.0% in February. The increase is primarily attributed to heightened demand in the service sector, including housing. Despite the uptick, inflation remains relatively contained compared to international figures, indicating effective management of domestic prices amidst global uncertainties.

"Employment in the non-oil private sector has been particularly vibrant. The Riyad Bank Saudi Arabia PMI reported a substantial increase in employment levels in April, with hiring growth accelerating to its joint-fastest pace in ten-and-a-half years. This surge in employment is a response to rising sales and increased business activity, prompting firms to expand staffing capacities. Consequently, there has been a record hike in staff cost inflation, reflecting the increased demand for labour.

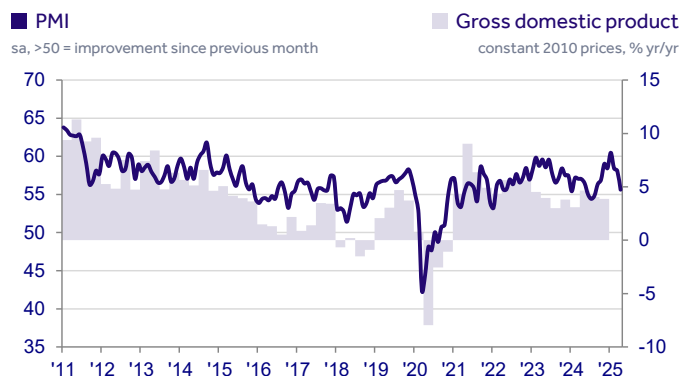
"Business activity among non-oil companies has soared at the outset of the second quarter, driven by higher sales, new project approvals, and strong tourist numbers. While output growth remains robust, it is somewhat tempered by global economic uncertainties and competitive pressures affecting client spending. Nonetheless, employment figures continue to climb, indicating a sustained growth trend since last May."

Companies sought to hire additional staff in response to rising workloads and positive demand expectations, with targeted recruitment efforts reported in areas such as IT and marketing. This helped ease pressure on business capacity as volumes of outstanding work fell modestly.

Strong hiring contributed to a reacceleration of input price inflation, with the wage component of non-oil private sector input costs rising sharply. In fact, the rate of increase in salary costs was the highest recorded in the survey's history. There was also a faster rise in purchase prices, as firms reported higher charges for raw materials amid increasing demand. The rate of purchase price inflation rebounded from March's 43-month low and was sharp overall.

With total input costs rising sharply, non-oil companies raised their output charges in April. While the increase was modest, it marked a turnaround from the decline seen in March. Higher operating costs were cited by the survey panel as the primary reason for the increased charges.

Meanwhile, the latest data signalled a steep increase in purchasing activity, with the growth rate reaching a three-month high. Firms continued to focus on maintaining high volumes of inputs in stock, anticipating a rise in demand and activity over the coming months. Expectations for output in one year's time increased slightly from March, although the degree of business optimism remained weaker than the long-run survey average.



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

Deema AlTurki
Senior Economist
Riyad Bank
T: +966-11-401-3030 Ext.: 2478
deema.alturki@riyadbank.com

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

Kriti Khurana
Corporate Communications
S&P Global Market Intelligence
T: +91-971-101-7186
kritikhurana@spglobal.com
press.mi@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@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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