

News Release

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Riyad Bank Saudi Arabia SME PMI®

SME employment growth accelerates to a 10-month high

Key findings

Robust improvement in SME business conditions

Sharp rises in business activity and new orders

Prices charged by SMEs increase for second month running

SMEs report upbeat output growth projections for 2025

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

The latest report illustrates a strong end to the year for Saudi Arabian SMEs, with sharply rising workloads leading to the fastest pace of job creation for 10 months. At the same time, business activity expectations improved again in December.

Adjusted for seasonal influences, the Riyadh Bank Saudi Arabia SME Purchasing Managers' Index™ (PMI®) registered 56.9 in December, down slightly from 57.1 in November but still well above the neutral 50.0 threshold and therefore indicative of a robust upturn in overall business performance.

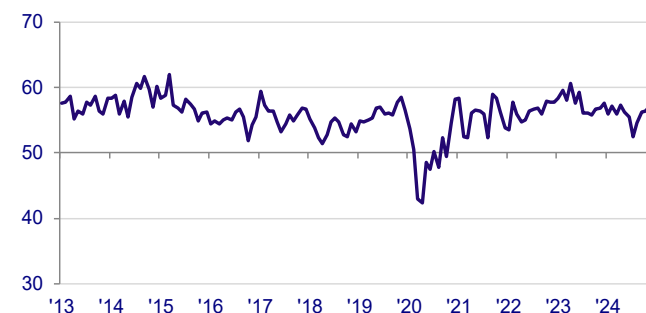
Turning to the fourth quarter as a whole, there was a clear acceleration since Q3. The headline index posted 56.8 on average in Q4, up from 54.5 in Q3 and the highest reading for any quarter since Q4 2023.

Improving business conditions reflected sharp rises in output levels and incoming new work. SMEs widely commented on strong demand conditions, driven by greater business and consumer spending, alongside a supportive economic backdrop.

That said, output and new orders continued to increase at a slower pace than seen among large enterprises. Some SMEs noted that competitive pressures and new market entrants had acted as constraints on growth.

Riyad Bank Saudi Arabia SME PMI

sa, >50 = improvement since previous month



Sources: Riyadh Bank, S&P Global.

Job creation was a bright spot for SMEs in December. The latest survey highlighted a solid rise in staffing numbers and the rate of growth accelerated to its fastest since February. SMEs cited greater demand for staff due to long-term business expansion plans and forthcoming new projects.

Higher salary payments and rising raw material prices contributed to another solid increase in input costs during December, but the rate of inflation eased since the previous month. Output charge inflation meanwhile accelerated to a six-month high, in contrast to a modest decline in prices charged by large enterprises.

Looking ahead, business activity expectations at SMEs improved for the third month running in December. Confidence was the highest since March, with survey respondents often linking their optimism to expected improvements in broader domestic economic conditions.

Comment

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

"The Riyad Bank Saudi Arabia SME Purchasing Managers' Index (PMI) concluded the year on a high note, reflecting a robust performance of the SME sector. The December PMI stood at 56.9, slightly lower than November's 57.1, yet still significantly above the neutral threshold of 50.0, indicating a strong expansion in business activities.

"The fourth quarter of the year showcased a marked improvement over the third quarter, with the average PMI hitting 56.8, the highest quarterly reading since the end of 2023. This upturn in the SME sector is a testament to the thriving economic environment, characterized by increasing output levels and a surge in incoming new work. The heightened demand conditions are attributed to an uptick in both business and consumer spending, buoyed by a supportive economic backdrop.

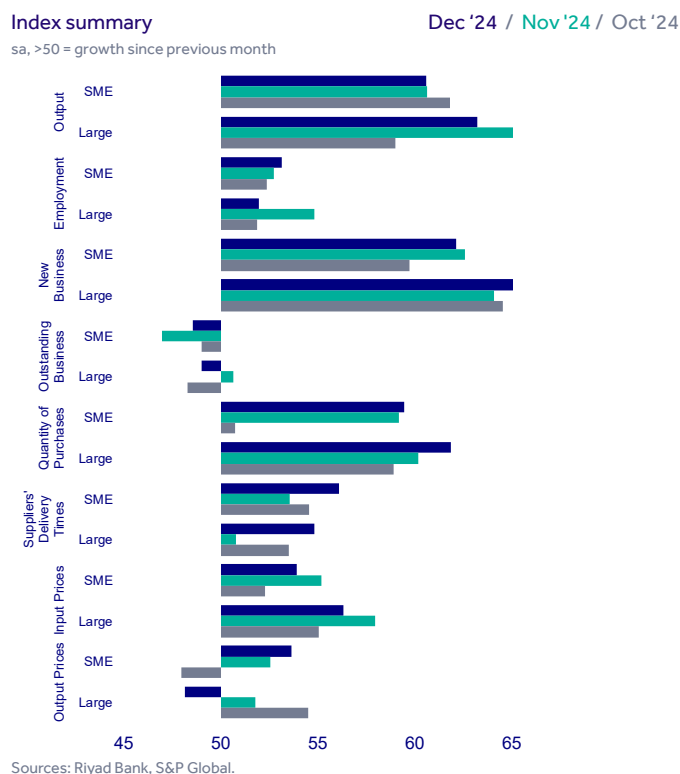
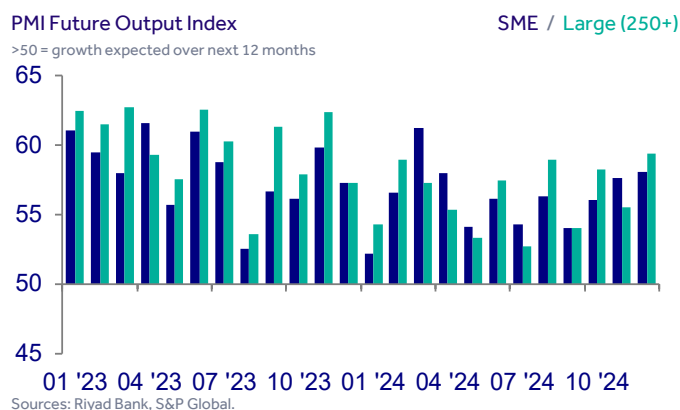
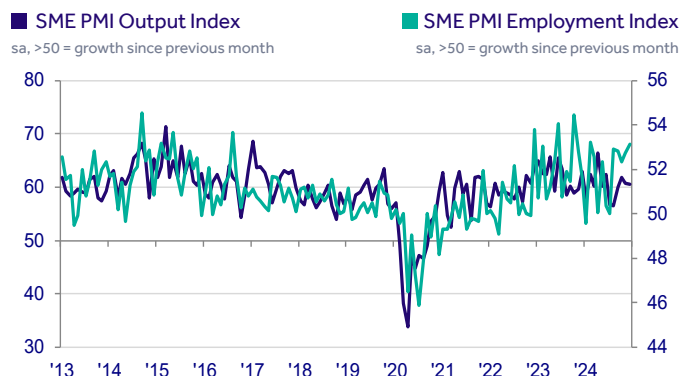
"While SMEs continue to see growth, it is noted that their pace of expansion in output and new orders lags behind that of larger enterprises, partially due to competitive pressures and the emergence of new market players.

"One of the standout aspects of the December PMI was the significant rise in job creation. The survey revealed a solid increase in staffing numbers, with the growth rate hitting its highest point since February. This surge in employment is fueled by long-term business expansion plans and upcoming new projects, reflecting a positive outlook among SMEs

"Looking forward, the business activity expectations among SMEs have continued to improve, marking the third consecutive month of rising optimism. Confidence levels in December were the highest since March, with many survey respondents attributing their positive outlook to anticipated enhancements in broader domestic economic conditions.

"This optimistic trajectory aligns with Saudi Arabia's Vision 2030. The strong performance of SMEs, as evidenced by the Riyad Bank Saudi Arabia SME PMI, underscores the ongoing efforts to bolster economic diversification and support the growth of this sector.

"SMEs are crucial to any economy, particularly in the context of economic diversification. They drive innovation, create jobs, and contribute significantly to GDP. In Saudi Arabia, the focus on enhancing the SME sector is integral to Vision 2030, which aims to diversify the economy beyond oil dependency. The strong performance of SMEs, as indicated by the PMI, is a positive signal towards achieving these objectives. By fostering a vibrant SME sector, Saudi Arabia can enhance its economic resilience, create sustainable employment opportunities, and promote inclusive growth, all key components of a diversified and dynamic economy."



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Survey methodology

The Riyadh 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 Riyadh 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 December 2024. The next Riyadh Bank Saudi Arabia SME PMI® report will be published in April 2025, featuring data compiled in each month of Q1 2025.

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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About Riyadh Bank

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We provide a comprehensive range of products and services fully compliant with the Islamic Sharia' to meet the needs of both retail and corporate customers, including small and medium-size enterprises. We play a leading role in various areas of finance and investment around Saudi Arabia, that is why we are distinguished as a leading financier and arranger of syndicated loans in the oil, petrochemicals and most of the Kingdom's notable infrastructure projects.

About S&P Global

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