

# News Release

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## Riyad Bank Saudi Arabia PMI®

### Non-oil economy finishes the year with strongest sales growth of 2024

#### Key findings

New order growth quickens for fifth consecutive month

Output and purchasing levels rise markedly

Average cost burdens increase sharply

Saudi Arabia's non-oil private sector economy ended 2024 in a strong position, as business conditions improved markedly, driven by a substantial rise in new orders. Aided by elevated domestic demand and strengthening exports, total sales volumes increased at the fastest pace in 12 months, leading to robust upturns in business activity and inventories.

Cost inflation remained sharp in December due to strong input demand, although an easing of job creation helped to soften salary pressures. Output charges also rose, but the rate of inflation slowed amid high competition and efforts to offload stocks.

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.

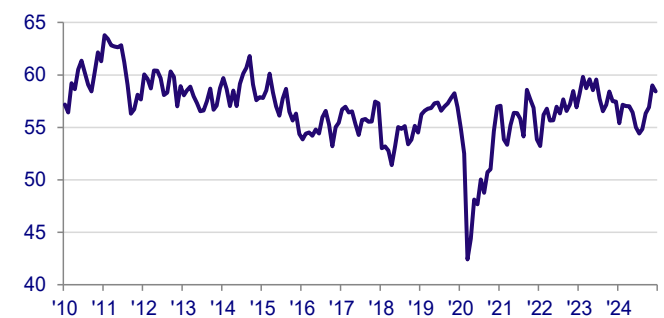
The headline PMI posted 58.4 in December. Although down slightly from a 17-month high of 59.0 in November, the reading signalled a marked improvement in operating conditions across the non-oil private sector. The index has remained above the 50.0 neutral mark continuously since September 2020.

Non-oil businesses indicated that strong economic conditions, combined with higher client demand and new marketing campaigns, helped to drive a considerable upturn in new work in the final month of 2024. In fact, the rate of growth was the sharpest recorded in a year, having accelerated in every month since August. Nearly four-in-ten survey respondents saw new order inflows increase during the month, with the sharpest rise observed among wholesale & retail companies.

Contributing to strong sales momentum was an expanding foreign market. December survey data pointed to the sharpest increase in new export orders for 17 months, as panellists commented on product innovations and strong relationships with international clients.

Riyad Bank Saudi Arabia PMI

sa, >50 = improvement since previous month



Sources: Riyad Bank, S&P Global PMI.

Data were collected 5-13 December 2024.

#### Comment

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

"Saudi Arabia's non-oil private sector ended 2024 on a high note, reflecting the successful strides made under Vision 2030. The Purchasing Managers' Index (PMI) recorded 58.4, underscoring the sector's resilience and expansion. This performance is a testament to the ongoing diversification of the economy, as outlined in Vision 2030, which aims to reduce reliance on oil and foster sustainable economic growth.

"The non-oil GDP is expected to grow by more than 4% in 2024 and 2025, driven by substantial improvements in business conditions. A significant rise in new orders has bolstered this growth, indicating increased market confidence and demand. This surge is supported by elevated domestic demand and strengthening exports, which have propelled total sales volumes to their highest levels in a year. Consequently, business activity and inventories have experienced robust upturns, reflecting the sector's capacity to meet and capitalize on rising demand.

"Despite challenges such as sharp cost inflation due to strong input demand, the sector has navigated these pressures effectively. December saw a notable increase in material costs, yet wage costs rose more moderately. This balance was aided by an easing in job creation, which helped soften salary pressures.

"Moreover, some firms opted to reduce prices in response to strong competition and elevated stock levels, resulting in only a slight rise in average prices charged since November. This competitive pricing strategy has helped mitigate inflationary impacts. Business expectations have also improved, reaching a nine-month high in December. Firms expressed optimism due to robust sales growth.

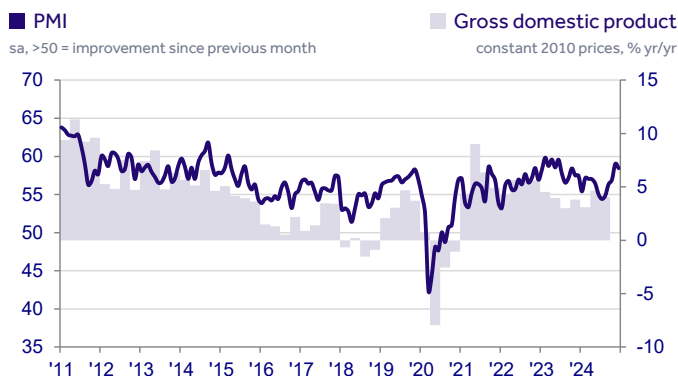
"Saudi Arabia's non-oil private sector's strong performance at the end of 2024 highlights the effectiveness of Vision 2030 in steering the economy towards diversification and resilience. With the non-oil GDP anticipated to continue its upward trajectory, the sector is well-positioned to contribute significantly to the Kingdom's long-term economic goals. The focus on improving business conditions, boosting domestic and international demand, and managing inflationary pressures aligns seamlessly with Vision 2030's objectives, setting the stage for sustained growth and prosperity in the upcoming years."

Total business output rose at a marked pace in December as firms looked to expand capacity amidst increasing sales volumes. Despite easing slightly, the rate of expansion was above the long-run trend. Efforts to improve operating capacity also underscored increases in purchases and staffing. Growth of purchasing activity accelerated to a nine-month high, as companies maintained a substantial rate of inventory accumulation. On the other hand, job creation softened from November.

Average lead times on inputs shortened in December, and the pace of improvement quickened on the month. This contributed to the fastest rise in input holdings since May. Some companies noted that good vendor relationships allowed them to shore up inputs in anticipation of rising sales.

Amid rapid purchasing growth, non-oil firms noted a sharp increase in material costs over December, which led to a marked rate of overall input price inflation. This was observed despite a softer rise in wage costs. However, with some firms choosing to cut prices amid strong competition and elevated stock levels, average prices charged rose only slightly since November.

Business expectations improved to a nine-month high in December, with firms generally commenting that robust sales growth had given them greater hope that activity levels will expand in 2025.



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## Survey methodology

The Riyadh Bank Saudi Arabia PMI<sup>®</sup> 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<sup>™</sup> (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<sup>™</sup> (PMI<sup>®</sup>) 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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