

News Release

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Riyad Bank Saudi Arabia PMI®

Non-oil economy records its best performance since 2014

Key findings

Sales volumes grow at one of the fastest rates on record

Activity growth accelerates

Price pressures rise amid strong demand

The Riyad Bank Saudi Arabia PMI® began 2025 with its highest index level for over a decade, as non-oil business conditions improved substantially. This was largely due to the fastest increase in total new orders since June 2011, which encouraged rapid expansions in activity and stocks. Notably, stock levels rose at the second-fastest pace in the survey's history.

Businesses were greatly encouraged by the upturn, with the latest survey data showing the strongest year-ahead forecasts for activity in ten months. This came despite another uptick in input price pressures, which firms mainly attributed to increased material prices amid geopolitical tensions. The jobs market was also positive, with employment levels rising solidly.

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.

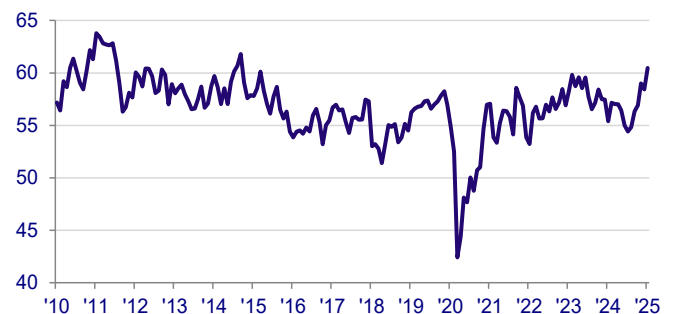
The headline PMI rose to 60.5 in January, from 58.4 in December. Not only did the index signal a considerable expansion in operating conditions at the start of 2025, but it was also at its highest since September 2014.

Four of the five sub-components of the PMI positively influenced the headline figure in January, particularly the New Orders Index, which rose over five points during the month. Notably, the index pointed to the sharpest rise in new work intakes in just over 13-and-a-half years. According to survey evidence, accommodative economic conditions supported a strong boost to customer orders, whilst some firms benefitted from new infrastructure projects.

Export sales were another factor behind the sharp increase in total new orders. The latest data showed the fastest growth in foreign demand for 18 months in January. In some cases, firms mentioned that greater marketing, competitive prices, and better relations with international customers had driven up sales.

Riyad Bank Saudi Arabia PMI

sa, >50 = improvement since previous month



Sources: Riyad Bank, S&P Global PMI.
Data were collected 9-23 January 2025.

Comment

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

"January 2025 marked a remarkable start for Saudi Arabia's non-oil economy, with the PMI surging to 60.5 from 58.4, signaling the strongest expansion in recent years. This strong performance underscores the resilience of the non-oil private sector, fueled by surging new orders and a significant rise in business output. The Output Index, reaching its highest level in 18 months, underscores strong demand conditions, with nearly 30% of firms reporting higher activity levels. This expansion highlights the country's continued economic diversification efforts.

"New orders were the primary driver of this expansion. Nearly 45% of firms observed higher sales volumes, attributing this growth to positive economic conditions and the acceleration of infrastructure projects. The rise in export orders further complemented domestic demand, particularly from GCC countries, reflecting effective marketing and competitive pricing strategies.

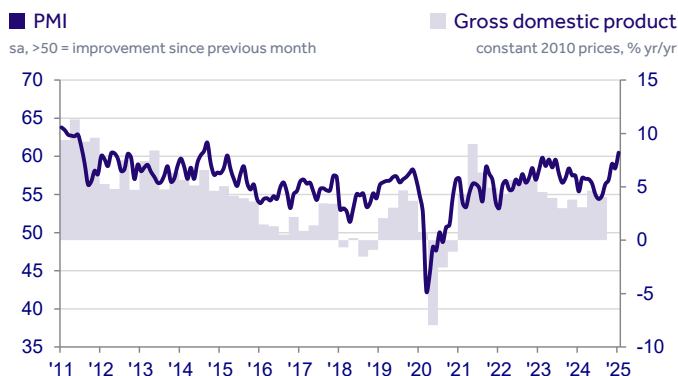
"The outlook for the non-oil economy remains highly optimistic, with businesses expecting sustained demand growth and supportive market conditions throughout 2025. Employment trends underline this positive sentiment, as companies continued to expand their workforce to meet growing demand. Supply chain improvements, combined with higher purchasing activity, have bolstered operational efficiency and prepared businesses for sustained growth. These indicators highlight the progress being made toward Saudi Arabia's Vision 2030, as the economy diversifies and strengthens its non-oil foundations."

In response, non-oil businesses reported a marked increase in activity levels in the first month of 2025, which was also the sharpest seen for 18 months. This upturn reflected strong expansions across all the sectors monitored by the survey. Firms recruited additional staff for the ninth month in a row, which also helped to reduce outstanding business levels.

Survey metrics on purchasing were another positive sign for the non-oil sector in January. The quantity of new inputs bought rose sharply, with 35% of respondents seeing an uplift since December. Despite the pressure of higher demand on businesses' supply chains, average delivery times continued to shorten in January and to the greatest extent in 10 months.

Subsequently, the volume of inputs and key components placed into inventories was sizable. The survey's stocks of purchases index climbed to its second-highest level since data collection began in 2009. Stocks were raised amid a positive outlook for demand and activity. Future activity prospects ticked up to their strongest since March 2024.

The main downside to the latest results was an uplift in overall cost pressures. The pace of input price inflation at non-oil firms was the second-fastest in almost four-and-a-half years. Higher material prices were often quoted in response to stronger demand and geopolitical tensions. This led firms to increase their output prices at the quickest pace in a year.



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

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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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