

News Release

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Riyad Bank Saudi Arabia PMI®

Employment numbers rise at fastest pace in 16 months

Key findings

Order books and activity levels strengthen

Robust demand sparks strong round of hiring

Business confidence edges up to 15-month high

Business conditions in the Saudi Arabian non-oil private sector strengthened markedly in February, underlined by robust growth of customer sales and activity. Improving market demand underscored a sharp increase in employment levels, as firms sought to expand their operating capacity and prepare for growth opportunities. Optimism towards future activity improved to its strongest since late 2023, while overall input cost pressures remained sharp and output prices increased further.

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 recorded 58.4 in February, down from its strongest reading in just over a decade of 60.5 in January. The index signalled that business conditions in the non-oil private sector improved markedly since the prior survey month. The drop in the index was mainly due to new business growth cooling from one of the fastest rates on record at the start of the year.

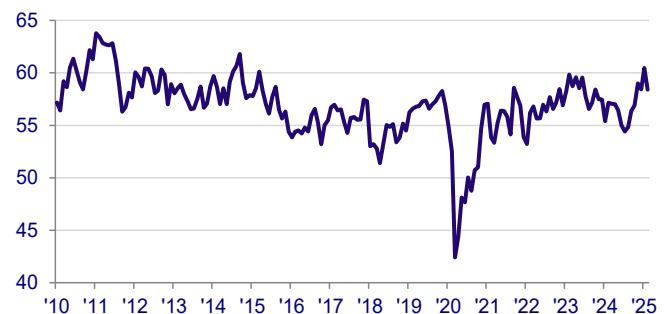
Companies responding to the survey remarked on resilient demand conditions, with improvements in sales and new client acquisitions helping to boost output across the non-oil sector. Increased tourism and greater marketing efforts were also signalled to have supported growth. Although the expansion in output eased slightly, it was still among the sharpest since the middle of 2023.

Likewise, non-oil firms continued to highlight a robust increase in new order volumes, with 35% seeing sales improve in February (versus 5% seeing a fall). Higher demand was partly driven by international markets as new export business rose steeply, while some firms mentioned gaining customers through price promotions.

Business expectations for the coming year rose to their highest level since November 2023. In many cases, firms anticipate

Riyad Bank Saudi Arabia PMI

sa, >50 = improvement since previous month



Sources: Riyad Bank, S&P Global PMI.

Data were collected 10-20 February 2025.

Comment

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

"Saudi Arabia's non-oil economy continued to grow in February, with private sector activity showing strong expansion despite a slight drop in the PMI from 60.5 in January to 58.4. The main driver of this growth was a sharp increase in new orders, supported by stronger market demand, promotional efforts, and a growing client base. While the pace of new order growth eased compared to January's recent peak, businesses remained confident about future demand. This was reflected in higher staffing levels, as companies expanded their workforce to meet increased workloads and business expectations.

"Export demand continued to rise driven by strong demand from international markets, competitive pricing, and high product quality. Although export growth softened slightly from recent months, it remained above average, reinforcing the strength of the non-oil sector. Meanwhile, businesses continued increasing their purchases, but at a slower pace as many had already built-up inventories in previous months. Supplier performance remained strong, with delivery times improving for the second month in a row, particularly in the manufacturing sector.

"Looking ahead, Saudi Arabia's non-oil economy remains on a solid growth path, with ongoing expansion in employment, efficient supply chains, and strong domestic and export demand pointing to sustained economic momentum. While the PMI moderated slightly, the underlying indicators suggest that the private sector remains well-positioned for continued expansion, supported by a positive outlook for business activity and market conditions."

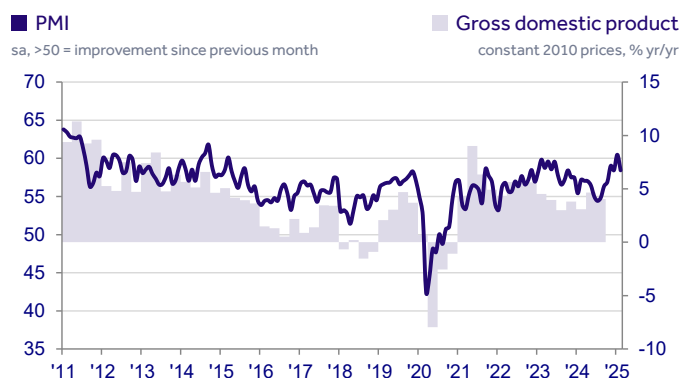
that economic growth and government initiatives will support development and expansion opportunities, while several also pointed to a strong pipeline of future business.

This optimism supported a particularly strong rise in employment in February. Latest survey data showed the rate of job creation climbing to the second-highest in over a decade, outpaced only by October 2023. Jobs growth was strongest in manufacturing and services, sectors which also observed the highest levels of confidence.

Non-oil businesses continued to fill up warehouses, albeit with rates of purchasing growth and stock accumulation tempering since the start of the year. Vendors once again aided stockpiling by sharply reducing their average delivery times.

Whilst robust staffing levels, efficient supply chains and healthy stockpiles enabled many firms to lower backlogs, this was often countered by demand pressures and administrative delays. Subsequently, the overall level of incomplete business fell only fractionally.

Input price pressures remained steep in February, driven by higher material prices and wages, although the pace of inflation eased slightly to a four-month low. Higher costs translated into only a modest rise in selling prices amid competitive pressures.



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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