

# News Release

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## Riyad Bank Saudi Arabia SME PMI®

### SME job creation hits survey-record high in second quarter of 2025

#### Key findings

Sharp rises in output and new work, but growth eases since Q1

Fastest quarterly pace of SME job creation since the survey began

Input buying expands to greatest extent since October 2023

SME business optimism rebounds to 26-month high

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

Riyad Bank SME PMI® data highlighted a strong upturn in business conditions during June, supported by further increases in output, new work and employment.

Overall growth momentum slowed in comparison to the first quarter, but business optimism for the year ahead rose to its joint-highest since January 2021.

At 56.5 in June, the headline seasonally adjusted Riyad Bank Saudi Arabia SME Purchasing Managers' Index™ (PMI®) picked up from 54.9 in May and signalled a robust overall improvement in business conditions.

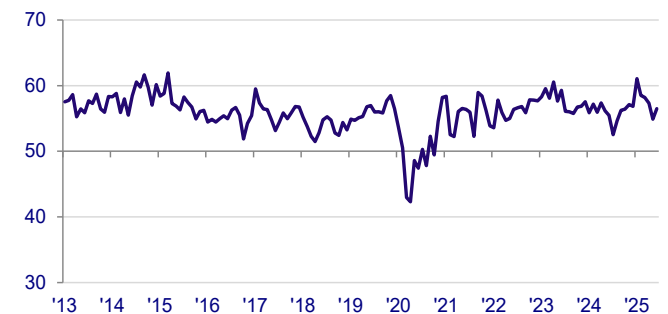
On a quarterly basis, however, the average PMI reading dropped from a 10-year high of 59.3 in Q1 to 56.2 in Q2. Any reading above 50.0 indicates an improvement in SME business performance.

A strong pace of output growth was sustained in June, albeit weaker than in the first quarter of 2025. SMEs attributed rising activity levels to supportive domestic economic conditions, strong sales pipelines and the fruition of successful long-term business development plans.

Total new orders also expanded sharply, helped by resilient business and consumer spending. That said, some firms commented on tighter budget setting by clients and intense

Riyad Bank Saudi Arabia SME PMI

sa, >50 = improvement since previous month



Sources: Riyad Bank, S&P Global.

competition to secure new work.

Job creation was a bright spot for SMEs in June, with employment growth the joint-fastest since January 2021. On a quarterly basis, the pace of staff hiring was the strongest since the survey began in 2013. Greater workforce numbers were linked to long-term business expansion plans and improving sales pipelines.

SMEs stepped up their purchasing activity in response to rising workloads and new project starts. June data signalled the strongest upturn in input buying since October 2023.

Robust increases in purchasing prices and staff wages continued during the latest survey period. However, average prices charged by SMEs fell for the second month running, suggesting an ongoing squeeze on margins to protect market share.

Finally, business optimism for the year ahead improved in June. Confidence levels were the joint-highest since the start of 2021 (matching those seen in April 2023).

## Comment

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

"Saudi Arabia's SME sector continued to grow in the second quarter of 2025, although the pace naturally eased after a record-breaking start to the year. The average SME PMI came in at 56.2 for Q2, down from the exceptional 59.3 seen in Q1, but still comfortably pointing to solid expansion. June closed the quarter on a strong note, with businesses reporting steady improvements in output, new orders, and hiring.

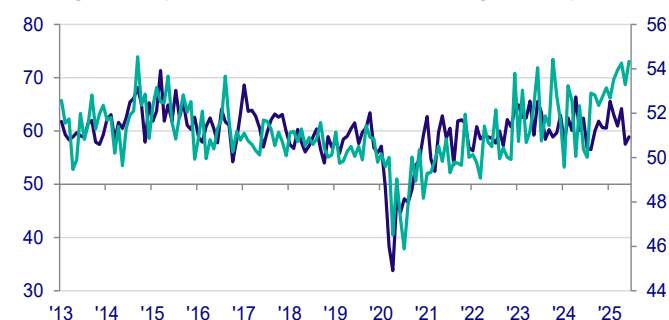
"The quarter was shaped by resilient demand and a healthy flow of new orders, supported by stable domestic conditions and effective marketing. SMEs managed to attract new customers through competitive pricing and flexible strategies. Although growth cooled compared to Q1, activity levels remained robust and provided a solid base for businesses to build on.

"One of the clear success stories of the second quarter was job creation. SMEs consistently added to their workforce, with hiring reaching the fastest quarterly pace on record. The boost in employment was closely tied to long-term expansion plans and stronger sales pipelines, which also helped ease some of the pressures on business capacity. Backlogs of work declined as firms caught up with demand, showing that SMEs were managing their growth well.

"SMEs faced increasing cost pressures during Q2 2025. Rising wages and higher input prices continued to squeeze margins, even as purchasing activity surged at the fastest rate in almost two years. Interestingly, SMEs were less able to pass these costs on to customers, choosing instead to hold back on price increases to stay competitive, especially compared to larger businesses that passed on higher costs to clients. Supply conditions improved further, but vendor performance remained somewhat weaker compared to larger firms.

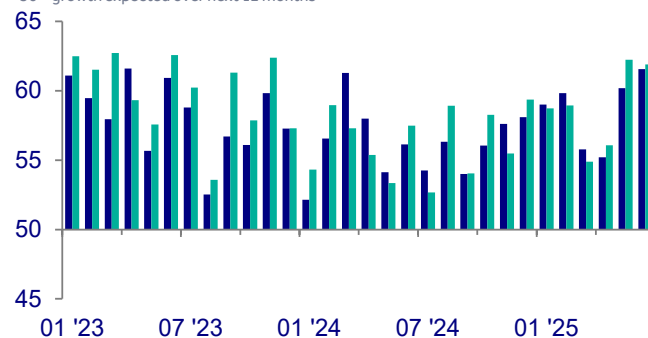
"Overall, the second quarter of 2025 confirmed that SMEs are navigating a more competitive environment while maintaining growth. Although expansion moderated from the rapid gains seen earlier in the year, SMEs demonstrated resilience through strong hiring, improving order flows, and sustained purchasing activity. Looking ahead, SMEs are well-positioned to build on these gains, though they will need to carefully manage pricing strategies and cost pressures to protect margins in the coming period."

**SME PMI Output Index** **SME PMI Employment Index**  
sa, >50 = growth since previous month sa, >50 = growth since previous month



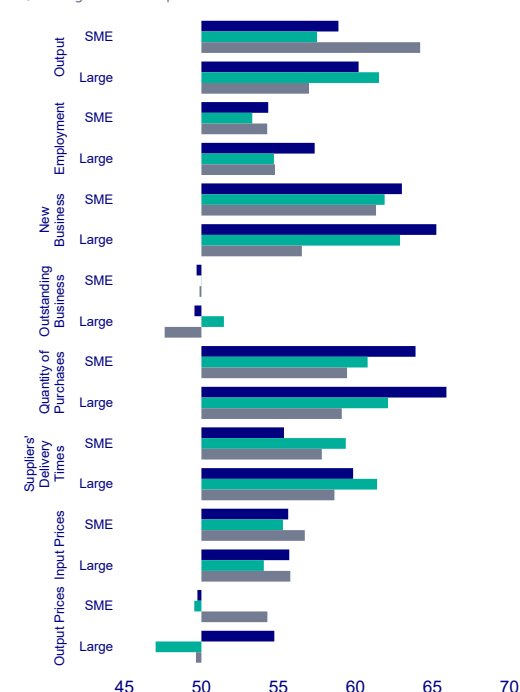
Sources: Riyad Bank, S&P Global.

**PMI Future Output Index** **SME / Large (250+)**  
>50 = growth expected over next 12 months



Sources: Riyad Bank, S&P Global.

**Index summary** **Apr '25 / May / Jun**  
sa, >50 = growth since previous month



Sources: Riyad Bank, S&P Global.

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### Survey methodology

The Riyad 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 Riyad 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 June 2025. The next Riyad Bank Saudi Arabia SME PMI® report will be published in October 2025, featuring data compiled in each month of Q3 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](mailto: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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