

# News Release

Embargoed until 0715 AST (0415 UTC) 5 December 2023

## Riyad Bank Saudi Arabia PMI®

### Activity and demand growth remain strong, but cost pressures rise in non-oil economy

#### Key findings

Input price inflation quickens

Output and sales continue to expand markedly

Employment growth eases from nine-year high

The Riyad Bank Saudi Arabia PMI® continued to signal a rapid expansion in the non-oil private sector in November, despite evidence that price pressures accelerated to their highest in nearly one-and-a-half years. Reports of increased raw material prices fuelled a renewed uplift in firms' selling charges, but demand conditions remained strong and new business inflows rose at the sharpest rate since June as firms cited new customers and greater investment spending.

Output levels also expanded sharply in November in response to the marked upturn in sales, while the rate of job creation was solid but weakened from October's nine-year high. Robust demand expectations meant that the outlook for future activity in the non-oil sector was the strongest in five months.

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.

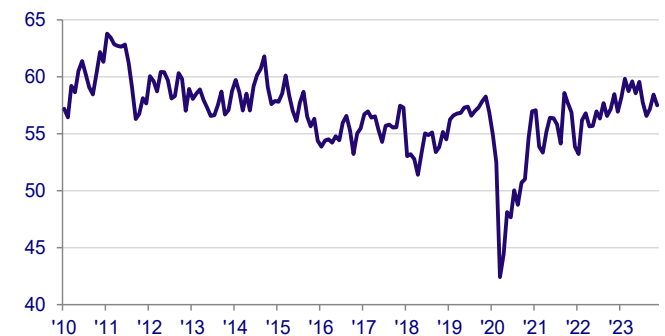
The headline PMI dropped from 58.4 in October to 57.5 in November, but stayed well above the 50.0 neutral threshold to signal a marked improvement in business conditions across the Saudi Arabian non-oil private sector economy. The fall in the headline index was due to moderations in the rate of staff and inventory growth, as well as a sharp reduction in delivery times.

However, the two largest contributors to the headline index saw upticks in November, with the New Orders Index posting its highest reading in five months. New order intakes continued to rise considerably as companies highlighted improvements in market conditions, customer numbers and investment spending. The uplift came despite weakness in foreign demand, as the latest data showed new export orders declining for the third time in four months.

In response, non-oil companies reported a marked increase in business activity during November, one that was slightly faster

Riyad Bank Saudi Arabia PMI

sa, >50 = improvement since previous month



Sources: Riyad Bank, S&P Global PMI.

Data were collected 9-22 November 2023.

#### Comment

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

"Riyad Bank PMI continues to show an expansion in the non-oil activities driven by a five-month high in new order growth. Firms anticipate a continuous increase in output, fuelled by a robust inflow of new projects. Manufacturers, in particular, are highly optimistic about the next 12 months, as they anticipate a favourable business climate. Additionally, the wholesale and retail sectors also show promising signs, aligning with the overall positive sentiment. This bodes well for Saudi Arabia's economic growth and suggests a favourable environment for businesses in various industries.

"Despite the expansion in new orders and output, the new export figures have remained relatively low to be in line with the non-oil exports figures posted by GASTA. This weak performance in exports can be primarily attributed to the petrochemical sectors as this sector represents more than 29% of non-oil exports.

"Another factor affecting the PMI is the response of prices to input costs. Over the past few months, input prices have been increasing, and this trend has started to impact the price of final goods and services. However, due to competitive pressures, the impact on overall prices has been somewhat subdued. This month, output prices recorded an increase, yet one that was slower than the increase in input prices.

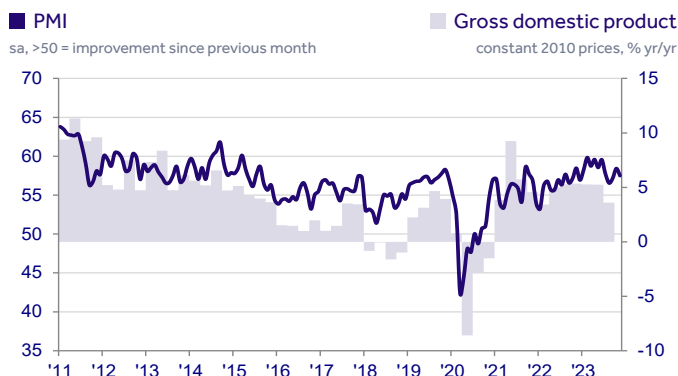
"In summary, the Saudi PMI has shown positive signs of expansion, driven by strong sales, increased orders, and effective marketing strategies. However, the export numbers, particularly in the petrochemical sectors, have remained relatively low compared to the previous year. Additionally, while input costs have been rising, competitive pressures have limited the impact on overall prices."

than in October. The rapid expansion led to a continuation of the recent run of strong purchasing growth, with the latest upturn among the fastest in over eight years. Subsequently, input stocks rose again, albeit at a softer rate.

Meanwhile, the latest survey data indicated a further pick-up in cost inflation across the non-oil economy. Overall input costs rose at their quickest pace since June 2022, led by increased purchase prices, especially in the construction sector. Wage inflation moderated but also remained above average, as some firms cited efforts to retain experienced staff and compensate workers for greater living costs. Higher salaries came amid another solid increase in employment across the non-oil sector, although the rate of growth eased from October's nine-year record.

Increased cost burdens led non-oil companies to lift their selling charges for the first time in three months in November. Whilst the increase was still partly offset by competitive pressures, more companies highlighted the need to pass on rising input prices to their customers, leading to the quickest increase in charges since May.

Finally, business expectations for the coming 12 months improved notably in November. The outlook was the strongest since June, amid broad hopes that new business inflows will remain robust and drive higher activity.



## Contact

Naif Al-Ghaith  
Chief Economist  
Riyad Bank  
T: +966-11-401-3030 Ext.: 2467  
[naif.al-ghaith@riyadbank.com](mailto:naif.al-ghaith@riyadbank.com)

David Owen  
Senior Economist  
S&P Global  
T: +44 1491 461 002  
[david.owen@spglobal.com](mailto:david.owen@spglobal.com)

Sabrina Mayeen  
Corporate Communications  
S&P Global Market Intelligence  
T: +44 7967 447 030  
[sabrina.mayeen@spglobal.com](mailto:sabrina.mayeen@spglobal.com)

If you prefer not to receive news releases from S&P Global, please email [katherine.smith@spglobal.com](mailto:katherine.smith@spglobal.com). To read our privacy policy, [click here](#).

### 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](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.

[www.spglobal.com/marketintelligence/en/mi/products/pmi](http://www.spglobal.com/marketintelligence/en/mi/products/pmi)

### Disclaimer

The intellectual property rights to the data provided herein are owned by or licensed to S&P Global and/or its affiliates. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without S&P Global's prior consent. S&P Global shall not have any liability, duty or obligation for or relating to the content or information ("Data") contained herein, any errors, inaccuracies, omissions or delays in the Data, or for any actions taken in reliance thereon. In no event shall S&P Global be liable for any special, incidental, or consequential damages, arising out of the use of the Data. Purchasing Managers' Index™ and PMI® are either trade marks or registered trade marks of S&P Global Inc or licensed to S&P Global Inc and/or its affiliates.

This Content was published by S&P Global Market Intelligence and not by S&P Global Ratings, which is a separately managed division of S&P Global. Reproduction of any information, data or material, including ratings ("Content") in any form is prohibited except with the prior written permission of the relevant party. Such party, its affiliates and suppliers ("Content Providers") do not guarantee the accuracy, adequacy, completeness, timeliness or availability of any Content and are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, or for the results obtained from the use of such Content. In no event shall Content Providers be liable for any damages, costs, expenses, legal fees, or losses (including lost income or lost profit and opportunity costs) in connection with any use of the Content.