

News Release

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Riyad Bank Saudi Arabia PMI®

Business activity growth rebounds in February

Key findings

Output growth recovers to five-month high

Sales and employment growth strengthen

Competition subdues hikes in selling prices

Saudi Arabian non-oil businesses signalled an improvement in growth momentum in February, as business activity rose at the quickest rate for five months following a slump to a two-year low in January. New order growth also picked up and drove a stronger increase in employment, but competitive pressures continued to hinder demand and pricing decisions. Expectations towards future activity were similarly buoyed, while supply chains remained in good health and supported a marked increase in inventories.

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 gained on its two-year low of 55.4 in January, rising to 57.2 in February. The reading was well above the 50.0 mark that separates growth from contraction, thereby signalling a marked improvement in operating conditions across the non-oil private sector economy.

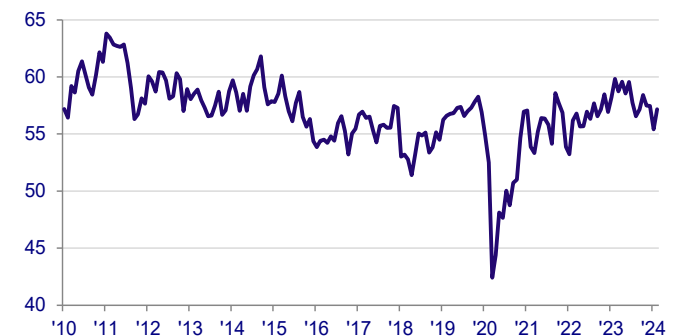
Business activity increased at a sharp and accelerated rate half-way through the first quarter. Furthermore, the rate of growth strengthened from January's recent nadir to its highest since September 2023. Surveyed firms that saw a rise in output attributed this to improving client demand and signs of greater tourism activity.

Similarly, new work inflows rose at a sharper pace than in January, albeit remaining softer than in the final quarter of 2023. While there were often reports of new client wins and stronger market conditions, some firms noted a drop in sales amid increased competition. Export orders stayed subdued overall, despite a modest rebound in February.

Stronger rises in output and new business appeared to invigorate labour demand in February, as the latest data indicated a faster increase in employment that was among the sharpest seen in the past eight years. This came alongside a strengthening of

Riyad Bank Saudi Arabia PMI

sa, >50 = improvement since previous month



Sources: Riyad Bank, S&P Global PMI.

Data were collected 12-21 February 2024.

Comment

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

"The Riyad Bank PMI bounced back in February to 57.2 after a mild slowdown in the previous month, indicating strong growth of output and new orders that was driven by the services and construction sectors. The upturn reflected the continued thriving of non-oil activities in the Kingdom which recorded a 4.6% increase according to GSTAT flash estimates. The survey results also signalled expectations of a modest recovery in demand this year driven by the acceleration of Vision 2030 projects.

"Additionally, the upsurge in new export orders signified growing demand for domestic products from international markets and high competitiveness in local industries, suggesting the expansion of production and employment opportunities.

"Employment in non-oil sectors spiked this month, as highly skilled workers were needed to fulfill rising demand and increased output. This aligns with Saudi Arabia's objective to create a more resilient and diverse job market.

"Despite strong demand from clients during the month, the rate of output price inflation softened as a consequence of a highly competitive market."

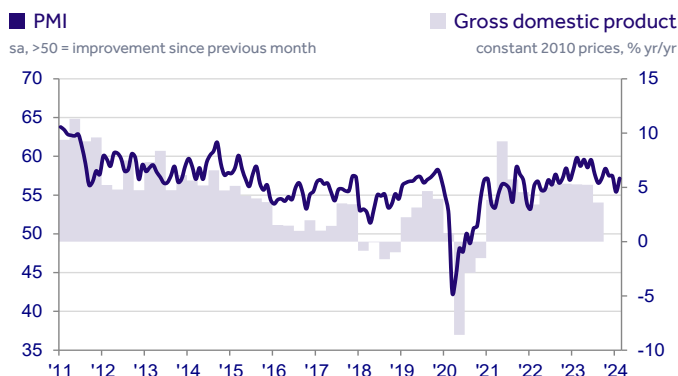
optimism for the year ahead, as firms grew more positive about demand trends.

Purchasing activity also remained strong as firms opted to ensure a steady inflow of inputs amid a favourable demand outlook and to secure discounted prices with suppliers. This resulted in the sharpest increase in inventory levels since August 2022, alongside a solid improvement in delivery times. However, the rate of growth of new purchases tempered slightly, easing to the weakest for nine months.

With stocks accumulating and staff levels rising, companies made a solid cut to their outstanding work, after a rise was recorded for the first time in 20 months in January. Some respondents added that an easing of administrative requirements supported workflows.

On the prices side, the latest survey data showed a softening of input price inflation in February. Although input costs continued to rise at a sharp pace overall, the rate of inflation was the slowest since July last year. Purchase prices and staff costs increased to the least extent in five and six months, respectively.

Selling price inflation also cooled and was only marginal. While some firms passed on higher costs to their customers, a similar proportion opted to reduce their fees due to the threat of greater competition. As such, charge inflation remained much softer than cost increases, signalling a worsening of margins.



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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