

News Release

Embargoed until 0715 AST (0415 UTC) 3 October 2024

Riyad Bank Saudi Arabia PMI®

Business activity growth strengthens in September

Key findings

Saudi Arabia PMI rises to four-month high

Faster growth in output and new orders

Job numbers rise solidly, but purchasing growth eases

Non-oil private sector business conditions strengthened in September, according to the Riyad Bank Saudi Arabia PMI®, as the rate of activity growth accelerated and sales momentum improved. Firms reported the fastest upturn in new work since May, following a weaker sequence of growth earlier in the third quarter.

Improving business conditions supported a solid increase in employment, although difficulties finding skilled staff led to capacity shortfalls. At the same time, concerns regarding increased competition underscored a softening of future output expectations, as well as a third successive reduction in selling charges. Input stocks remained healthy, encouraging some firms to loosen procurement efforts.

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.

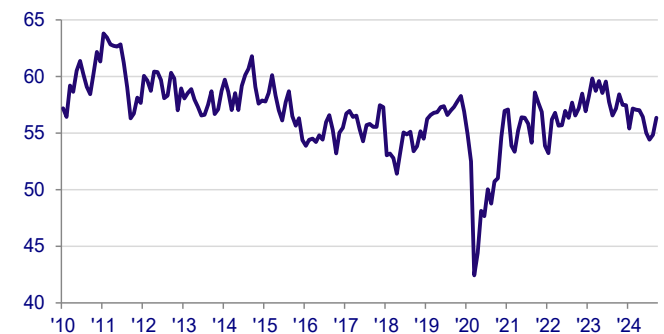
The Saudi Arabia PMI rose for the second consecutive month from 54.8 in August to 56.3 in September. This was the highest reading since May and signalled a further acceleration in non-oil private sector growth. Any reading above 50.0 indicates an improvement in operating conditions, whereas a reading below 50.0 indicates a deterioration.

The 1.5-point rise in the PMI was associated with sharper expansions in output and new orders, as well as a tightening of supply conditions. After rising at one of the softest rates since early 2022 in August, output levels increased to a stronger degree in the latest survey period. Growth was robust overall and widespread across the monitored segments of the non-oil economy. Where business activity rose, survey respondents cited higher demand and the approval of new projects.

There was a notable acceleration in new order growth across the non-oil private sector in September. Indeed, the rate of expansion

Riyad Bank Saudi Arabia PMI

sa, >50 = improvement since previous month



Sources: Riyad Bank, S&P Global PMI.

Data were collected 12-20 September 2024.

Comment

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

"The rise in Saudi Arabia's PMI to 56.3 shows the highest level in four months, highlighting a notable acceleration in non-oil private sector growth. This uptick was primarily driven by increased output and new orders, reflecting the sector's expanding activity. Businesses are responding to stronger domestic demand, which plays a critical role in reducing Saudi Arabia's dependence on oil revenues. The upward trend also signals rising business confidence, showing a healthy environment to increase investment, job creation, and overall economic stability.

"This growth in the non-oil sector is particularly significant given the current context of oil production cuts and declining global oil prices. As oil revenues come under pressure, the robust performance of the non-oil private sector serves as a buffer, helping to mitigate the potential impact on the country's economic health. The diversification of revenue streams is crucial for maintaining growth amid fluctuating oil markets.

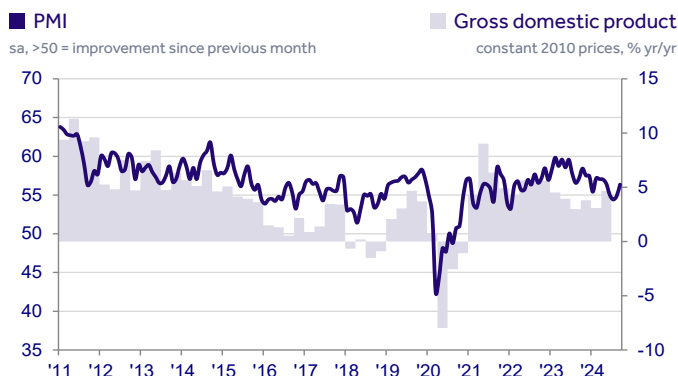
"Rising output levels not only enhance the competitiveness of Saudi businesses but also drive forward developments aimed at expanding private sector participation in the economy. This shift provides a more stable foundation for long-term growth, making the economy less vulnerable to oil price volatility. By expanding output across key non-oil industries, Saudi Arabia is better positioned to navigate the challenges of oil market fluctuations, ensuring a more sustainable and diversified economic future."

picked up to a four-month high. Anecdotal reports suggested that new order volumes increased due to improving domestic demand, new clients and promotional efforts. Although new export orders also grew, the increase was mild compared to that of total sales.

As was the case in August, Saudi Arabian non-oil companies demonstrated strong efforts to increase their workforce at the end of the quarter. Employment numbers rose solidly, with gains made to boost sales and reduce workloads, according to survey respondents. However, shortages of skilled candidates and some reports of heatwave-related disruption meant backlogs of work volumes rose in September, albeit fractionally.

Although demand levels strengthened, firms showed further concern towards competitive pressures, leading to a weakening of future activity expectations. Higher competition also fostered a reduction in selling charges for the third month running, despite a solid increase in business costs. Anecdotal reports suggested that rises in material prices, technology costs and wages drove higher expenses.

Inventories at non-oil businesses continued to rise sharply during September, leading some firms to reassess purchasing levels. Consequently, the rate of purchasing growth fell to its lowest in three years. Delivery times improved, albeit at the slowest rate since August 2023.



Contact

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

Deema AlTurki
Senior Economist
Riyad Bank
T: +966-11-401-3030 Ext.: 2478
deema.alturki@riyadbank.com

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

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

If you prefer not to receive news releases from S&P Global, please email 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.

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

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.