

News Release

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Riyad Bank Saudi Arabia PMI®

Business conditions strengthen rapidly in March

Key findings

Output growth quickens to six-month high

New order volumes rise at sharper pace

Input cost inflation softens to lowest since July 2023

Operating conditions in the Saudi Arabian non-oil private sector showed a robust improvement at the end of the first quarter, according to the latest PMI® survey data. Business activity expanded sharply and to the greatest extent for six months, as companies highlighted strong increases in order books and new customers. The upturn led to a faster rate of purchasing growth and another round of staff hiring. Alongside this, there was a further softening of cost pressures, especially on wages.

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 dipped from 57.2 in February to 57.0 in March, but stayed well above the 50.0 no-change mark to signal a marked strengthening in operating conditions across the non-oil private sector economy.

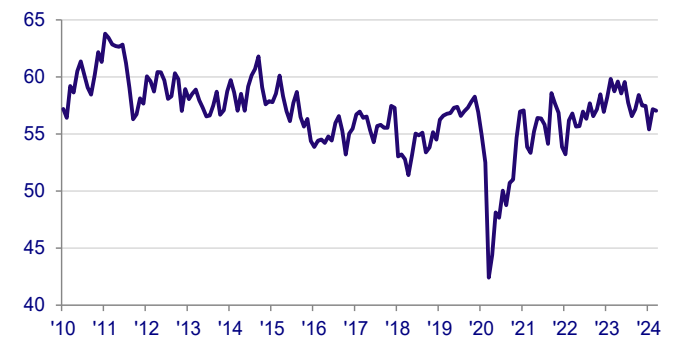
Output levels at non-oil businesses expanded considerably during March. The latest upturn was the strongest seen for six months, with most companies linking higher activity to robust order intakes and strong demand conditions.

Similarly, new orders placed at non-oil firms rose sharply in the latest survey period, with the expansion rate accelerating for the second month running. Three times as many firms saw new business volumes rise than those registering a fall. Demand from foreign customers also improved, with the latest data marking the first instance of sustained month-on-month growth since mid-2023.

Non-oil companies anticipate that demand conditions will continue to support business activity in the future. Expectations for the coming 12 months were positive and the strongest registered since last November. Subsequently, firms hired additional workers to support workloads. Employment rose at a moderate pace that was quicker than the survey average for the

Riyad Bank Saudi Arabia PMI

sa, >50 = improvement since previous month



Sources: Riyad Bank, S&P Global PMI.
Data were collected 12-20 March 2024.

Comment

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

"The Purchasing Managers' Index (PMI) for Saudi Arabia showcased a notable upswing as the non-oil economy exhibited significant expansion in the most recent period. This expansion was primarily fueled by a surge in demand across various sectors, indicating a robust economic performance. Business activity experienced a substantial uptick, marking the most significant growth in six months. The positive momentum also prompted accelerated purchasing activities and additional hiring, underscoring a buoyant market outlook.

"Furthermore, the heightened business activity and increased demand resulted in a notable escalation in purchasing growth, reflecting a dynamic marketplace responding to growing consumer needs. The surge in orders and customer acquisition not only bolstered current operations but also laid the foundation for continued expansion and potential business growth in the foreseeable future. Moreover, the concurrent easing of cost pressures, particularly in terms of wages, provided companies with greater flexibility and resources to invest in their operations and workforce, fostering a conducive environment for sustained economic progress and development in Saudi Arabia.

"Overall, the latest Saudi PMI underscores a robust and dynamic non-oil economy, driven by a surge in demand and heightened business activity. The strong performance witnessed across various sectors, coupled with the notable increase in order books and new customers, signifies a resilient market poised for growth. The accelerated purchasing growth and additional staff hiring further indicate a positive trajectory for the economy, supported by a reduction in cost pressures. These developments collectively point towards a promising outlook for the Saudi Arabian economy, highlighting its resilience and potential for continued expansion and prosperity."

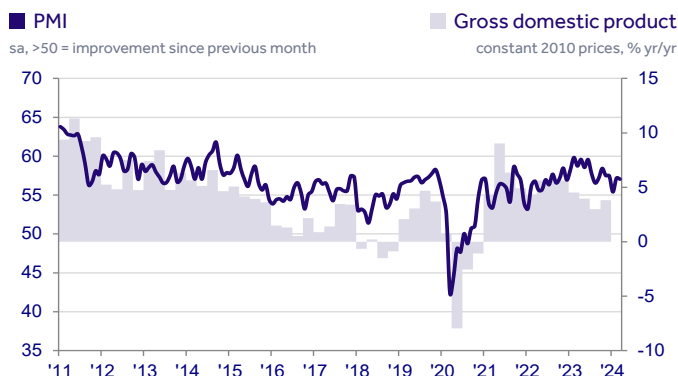
second consecutive month.

Saudi Arabian non-oil firms also reported greater purchasing efforts in March, as the rate of input buying growth strengthened from February. With demand favourable, firms generally opted to keep additional stocks of inputs by purchasing more items and requesting quicker deliveries, thereby leading to rapid improvements in both lead times and inventories.

Increases in staffing and input supplies supported a reduction in outstanding business in March. That said, the decline was only marginal and confined to the service sector.

Meanwhile, non-oil private sector firms saw a decrease in cost inflation for the second month running. Although input prices rose overall, the rate of inflation was the slowest seen for eight months. This was mainly due to a weakening of wage pressures, as firms reported only a slight increase in staff costs that was the mildest seen since the beginning of 2023. Inflation on purchasing costs was solid, despite slipping to the least marked for six months.

Average selling prices rose only modestly in March, albeit at a quicker pace than that seen in February. Some panellists indicated that stronger client demand allowed them to raise their charges, whereas others found that pricing strategies were constrained by high competition.



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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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