

# News Release

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## Riyad Bank Saudi Arabia PMI®

### Saudi Arabia PMI reaches highest level in almost eight years

#### Key findings

Business conditions improve at fastest rate since March 2015

Sharper uplifts in output and new orders

Inflationary pressures pick up

Growth in the Saudi Arabian non-oil private sector economy accelerated to the highest level in almost eight years in February, according to latest PMI® survey data, as companies reported a substantial increase in demand linked to improving economic conditions. Firms also reported faster upturns in output, employment and purchasing, while optimism towards the year ahead remained robust. However, the strong improvement in demand had the added effect of pushing inflationary pressures higher.

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 index rose to 59.8 in February, from 58.2 in January, to signal the fastest growth in non-oil private sector business conditions since March 2015. Any index reading above 50.0 indicates an improvement in the health of the non-oil sector.

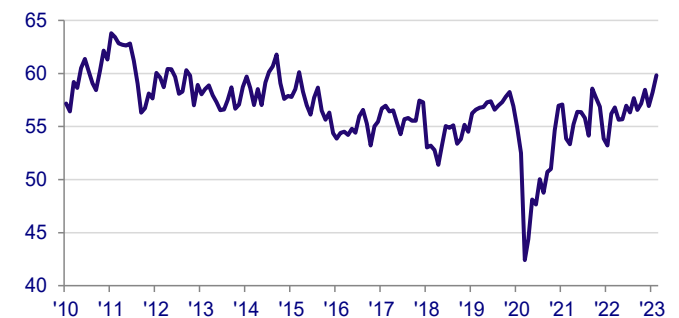
The strong PMI reading was partly down to a sharp and accelerated increase in new business inflows. Over 42% of surveyed companies indicated that new orders had risen over the latest survey period, and often attributed this to an improvement in market conditions. Panellists also noted that new projects, increased client numbers and some price promotions had helped to boost sales. Export orders also increased at a sharp and quicker pace. Notably, total new orders rose to the greatest extent since September 2014.

The strong growth in new orders led businesses to make robust advancements in output, which rose to the greatest degree in seven-and-a-half years. The outlook for activity over the next 12 months was also strong - despite slipping from January's two-year high, it remained above the average recorded in 2022.

Non-oil firms also registered stronger expansions in both employment and purchasing during February. Job numbers rose at

Riyad Bank Saudi Arabia PMI

sa, >50 = improvement since previous month



Sources: Riyad Bank, S&P Global.  
Data were collected 10-20 February 2023.

#### Comment

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

"Economic conditions remain favourable across business activities in February 2023, as growth in the Saudi non-oil private sector accelerated to the highest level in almost eight years. Despite tighter monetary conditions, demand and supply balance seemed robust and spurred by the ongoing projects around the Kingdom, causing sharper uplifts in output and new orders for firms, as well as rising demand for labour. This was met by a strong improvement in supplier performance and sharp reduction in lead times.

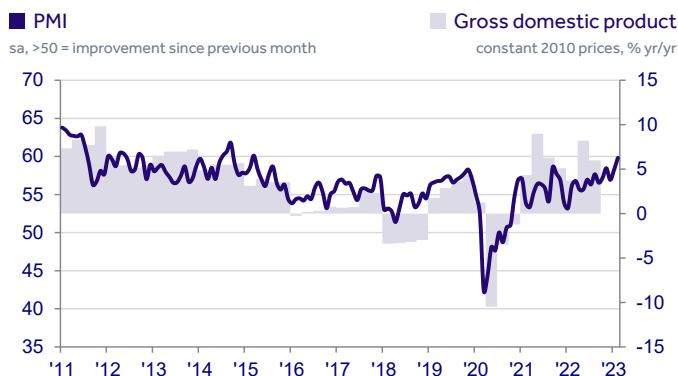
"Both employment and wages have increased, and employment recorded the second highest increase in five years to support expansion plans. Prices have responded to the surge in demand, with the increase in input costs evident especially in the services and construction sectors. To that end, we maintain our inflation forecast just below 3% amid the ongoing cost pressures and the current elevated demand that we believe will continue in the medium term.

"The outlook for activity for the year ahead is still positive, scoring the second highest in two years and remaining above the average recorded in 2022. Businesses displayed a robust degree of confidence towards future activity as the current improved market conditions are promising, coupled with the positive expectations towards the pickup in the emerging economies."

the second-fastest rate in five years, as firms often commented on efforts to fill vacancies in order to meet future demand. Increased labour capacity meant that firms continued to finalise orders on time and cut their backlogs, though the rate of decrease was the softest for eight months. At the same time, input purchases rose sharply and at the fastest pace for three months, while firms expanded their inventories to a greater degree than in January.

The latest survey results suggested that suppliers tended to respond positively to requests for faster deliveries in February. Lead times improved solidly and at the strongest rate for three months. On the negative side, greater input demand led some vendors to raise their prices, leading to a solid increase in purchasing costs.

The rise in purchase costs contributed to a faster uplift in overall cost pressures, as inflation picked up to the highest level since November last year. The uplift was partly driven by an increase in staff wages for the fourth month running. As a result, businesses lifted their output charges in an effort to pass rising expenses onto clients. After falling to an 11-month low in January, output price inflation accelerated markedly and was solid overall.



Sources: Riyad Bank, S&P Global, GaStat.

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### Survey methodology

The Riyad 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@ihsmarkit.com](mailto:economics@ihsmarkit.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.  
[ihsmarkit.com/products/pmi.html](https://ihsmarkit.com/products/pmi.html).

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