

News Release

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Riyad Bank Saudi Arabia PMI®

New orders rise at fastest pace for just over eight-and-a-half years

Key findings

Riyad Bank PMI® signals another strong month for non-oil sector growth

Sharper increases in output, new work and jobs

Domestic demand offsets subdued export sales

Non-oil private sector companies in Saudi Arabia experienced a sustained improvement in overall business performance during April, according to latest data from the Riyad Bank Saudi Arabia Purchasing Managers' Index™ (PMI®). New orders increased at the fastest rate since September 2014 as stronger domestic demand more than offset a slight drop in export sales. Job creation also continued in April, as signalled by a rise in total employment numbers for the thirteenth month in a row.

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.

At 59.6 in April, the headline seasonally adjusted Riyad Bank Saudi Arabia PMI® was up from 58.7 in March and only fractionally lower than the eight-year peak seen in February (59.8). Improving overall business conditions have been recorded in each month since September 2020.

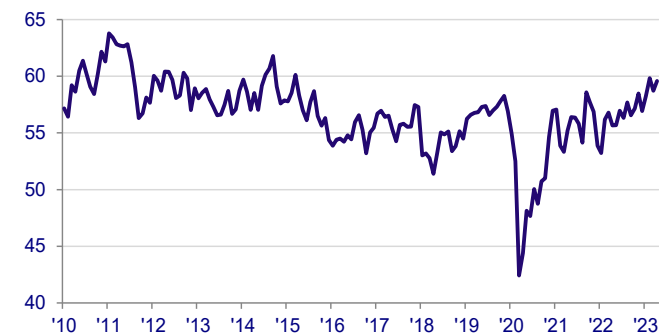
A sharp and accelerated increase in new business volumes was the main driver of the rise in the headline PMI during April. Moreover, the rate of new order growth was the fastest for just over eight-and-a-half years. Survey respondents commented on a range of positive factors supporting customer demand, including rising tourism numbers and higher consumer spending, alongside new business opportunities related to major infrastructure projects.

Strong domestic demand contrasted with a setback for export sales in April. Latest data signalled a reduction in new orders from abroad for the first time since February 2022. The marginal decline was linked to intense competition and less favourable economic conditions in overseas markets.

Higher overall workloads contributed to a moderate upturn in staffing numbers across the non-oil economy during April. The rate of job creation was fractionally stronger than seen on average in the first quarter of 2023. Staff hiring was often attributed to

Riyad Bank Saudi Arabia PMI

sa, >50 = improvement since previous month



Sources: Riyad Bank, S&P Global.
Data were collected 12-20 April 2023.

Comment

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

"April PMI data highlighted another steep expansion of business activity across the Kingdom's non-oil private sector economy. We have witnessed rising tourism numbers and higher consumer spending, alongside new business opportunities related to major infrastructure projects. Moreover, long-term business expansion plans have made the rate of job creation slightly stronger than seen on average in the first quarter of 2023.

"On the prices front, we have observed growing cost pressures as both input costs and staff wages have been rising again. The recent weakness in the U.S. Dollar has resulted in a costlier import of raw materials, while efforts to boost staff retention and business performance resulted in another upturn in average wages. Consequently, businesses needed to pass on higher overheads to clients while squeezing margins due to competitive market conditions during this time of the year.

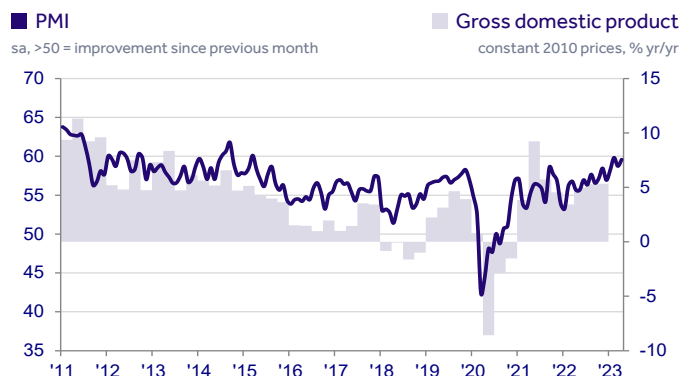
"With that said, businesses future output expectations were still optimistic. Positive sentiment reflected strong sales pipelines, alongside confidence regarding domestic business conditions and the long-term impact of government economic policy objectives. After all, it seems that the economy can weather additional interest rate hikes to come this year, especially as the labour market remains very strong and businesses continues to display strong performance."

long-term business expansion plans, which in turn helped to reduce backlogs of work. Latest data pointed to a fall in unfinished business for the eleventh month running, despite a sharp and accelerate rise in new orders.

Non-oil firms commented on inventory accumulation to help facilitate incoming new work in a timely fashion. This was reflected in a robust increase in stocks of purchases in April, with the rate of expansion the second-fastest since November 2022. Meanwhile, supplier performance improved for the fifteenth consecutive month in April. Survey respondents cited successful negotiations for faster deliveries from major suppliers, especially those in domestic markets.

April data indicated another solid increase in purchase prices and staff wages. Measured overall, business expenses nonetheless rose at the slowest pace for three months. Where input costs increased, this mostly reflected higher raw material prices and greater salary payments to assist with staff retention.

Finally, the latest survey indicated that businesses in Saudi Arabia remain upbeat about their growth prospects for the year ahead. The degree of optimism slipped to a four-month low, but was still well above the average seen in 2022. Positive sentiment reflected strong sales pipelines, alongside confidence regarding domestic business conditions and the long-term impact of government economic policy objectives.



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

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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@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.

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