

News Release

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Riyad Bank Saudi Arabia PMI®

Business activity growth remains sharp in April

Key findings

Strong demand seen across domestic markets

Inventory growth hits survey record

Cost considerations lead employment to fall

Saudi Arabia's non-oil private sector economy started the second quarter of 2024 with another strong month-on-month expansion, latest PMI® survey data showed. April's upturn was reflective of strong demand conditions, particularly across domestic markets, leading business activity to expand at a substantial pace.

Expectations that strong sales performances would continue led firms to increase purchasing activity, with inventories rising at a survey-record pace. Cost considerations drove employment down slightly in April, but the overall rate of input price inflation eased to a nine-month low.

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 held steady in April at 57.0, matching that seen in March. Subsequently, this indicated a further sharp month-on-month improvement in operating conditions within Saudi Arabia's non-oil private sector.

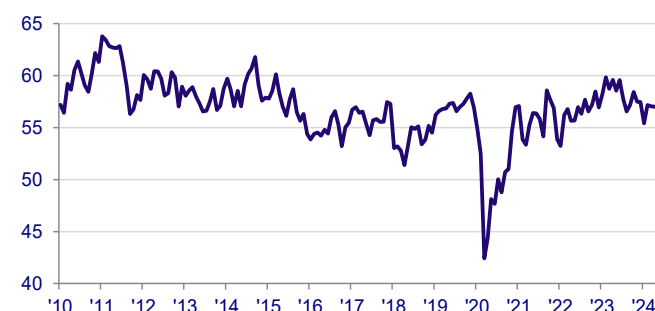
In line with the general trend seen since the end of 2020, the latest survey data signalled a considerable monthly expansion in new orders placed with non-oil private sector companies in Saudi Arabia. Competitive pricing, promotional activity, investment and expanding client bases, particularly in the domestic market, drove April's upturn.

Consequently, business activity rose sharply at the start of the second quarter. According to sub-sector data, Wholesale & Retail saw the strongest expansion in output.

Forecasts of a continued improvement in sales performances underpinned a positive growth outlook among surveyed companies. To accommodate higher demand, purchasing activity was raised sharply in April. Firms allocated a greater volume of raw materials and other items needed for output into inventories

Riyad Bank Saudi Arabia PMI

sa, >50 = improvement since previous month



Sources: Riyad Bank, S&P Global PMI.
Data were collected 04-22 April 2024.

Comment

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

"The latest Saudi Purchasing Managers' Index (PMI) has sustained a robust figure of 57.0 for the second consecutive month, signifying a flourishing non-oil economy. This uptrend hints at an anticipated spike in the non-oil GDP, likely exceeding the 4.5% mark for this year. Noteworthy is the surge in new orders and inventory expansion, indicative of a proactive response to mounting demand within the market.

"Despite a decline in employment figures, there's a notable increase in the costs associated with employment to incentivise the workforce. This strategy aims to bolster productivity and ensure the retention of skilled workers within the expanding economy. The prevailing strength in demand, along with strategic marketing initiatives and corporate expansions in both wholesale and retail sectors, further fortifies the positive trajectory of the Saudi economy.

"With a persistent emphasis on growth and development in the non-oil sector, the Saudi PMI's consistent performance underscores a promising outlook. The sustained expansion, coupled with evolving market dynamics, underscores a favourable environment for continued economic prosperity and stability in Saudi Arabia's non-oil economy."

during the latest survey period. In fact, stocks of purchases increased at a survey-record rate at the start of the second quarter.

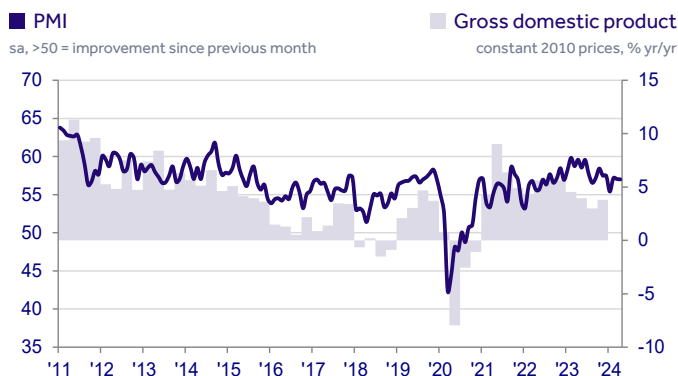
Despite added strain to suppliers' workloads, delivery times quickened in April. The extent to which vendor performance improved was nonetheless the weakest in eight months.

Pressures on capacity were evident as backlogs of work rose for the first time in three months. Furthermore, although mild, the rate of accumulation was the quickest in four-and-a-half years.

Although outstanding business volumes rose, non-oil private sector firms in Saudi Arabia reduced employment levels for the first time in just over two years in April. According to anecdotal evidence, cost and cashflow considerations led to jobs cuts.

Staff costs ticked marginally higher in April as firms offered higher salaries to give workers greater incentives. However, amid a softening of purchase price inflation, overall input costs rose at the slowest rate since last July.

With total operating expenses increasing at a softer pace, non-oil private sector companies were more cautious with their pricing in April. In fact, some companies offered discounts to customers in a bid to be more competitive. Measured overall, output prices rose for a sixth successive month, albeit only marginally.



Contact

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

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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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