News Release

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Riyad Bank Saudi Arabia SME PMI®

Strongest upturn in SME business conditions since February

Key findings

Output and new order growth rebound in June

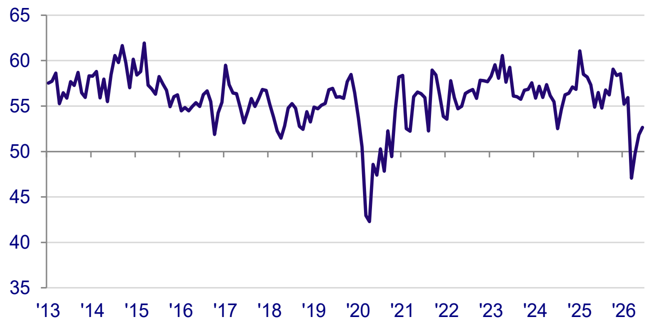
Slight increase in employment numbers

Suppliers' delivery times improve at a robust pace

Sharp turnaround in business activity expectations

Riyad Bank Saudi Arabia SME PMI

sa, >50 = improvement since previous month



Sources: Riyad Bank, S&P Global.

The Riyad Bank Saudi Arabia SME PMI® is a quarterly report designed to monitor business conditions at small and medium-sized enterprises (SMEs).

June data revealed a solid improvement in business conditions for SMEs in June, which highlighted a turnaround from the subdued performance seen at the end of the first quarter. The headline index nonetheless signalled a softer upturn in SME business conditions than its long-run trend.

At 52.6 in June, the headline seasonally adjusted Riyad Bank Saudi Arabia SME Purchasing Managers' Index™ (PMI®) picked up from 51.8 in May and was the highest since February. Improving business conditions have now been recorded in each of the past two months, following a brief downturn in March and April.

On a quarterly basis, the average SME PMI reading was 51.4 in Q2. This was well below the long-run trend (55.8) and softer than the equivalent figure for large enterprises in Q2 (53.4).

Monthly data signalled a swift rebound in output levels at SMEs, with a return to growth recorded in April, followed by faster rates of expansion in both May and June. That said, the latest rise in business activity was still softer than seen at the start of 2026.

New business intakes increased for the second month running in June and at the strongest pace since February.

Survey respondents commented on a revival in market conditions, the normalisation of business operations and a boost from resilient domestic demand. However, some firms commented on lingering headwinds from geopolitical uncertainties, especially those in the tourism sector.

SMEs were relatively cautious with their staff hiring in June, with employment numbers rising only marginally and at a notably weaker pace than in the first quarter of 2026.

There were positive signals for supply chains in June as average lead times for deliveries shortened to the greatest extent since February. Many firms noted successful efforts by suppliers to mitigate shipping challenges through the Strait of Hormuz. Higher transportation and raw material costs contributed to rising input expenses, but the rate of inflation remained softer than April's peak.

Finally, business optimism rebounded throughout the second quarter of 2026, following a marked drop in March. Improving demand conditions and hopes of regional stability were widely cited by SMEs in June.

Riyad Bank

PMI by S&P Global

Comment

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

"Saudi Arabia's SME sector continued to demonstrate resilience during the second quarter of 2026, with business conditions strengthening further in June despite an environment of elevated regional uncertainty. The Riyad Bank Saudi Arabia SME PMI rose to 52.6 in June from 51.8 in May, marking the strongest improvement since February and confirming that the recovery observed after March's slowdown has become more firmly established. While the quarterly average remained below its historical trend, the latest reading suggests that SMEs are continuing to benefit from resilient domestic demand, improving business confidence, and the ongoing expansion of the Kingdom's non-oil economy.

"A notable feature of June's survey was the broad-based improvement in business activity. Output expanded at the fastest pace in four months, supported by a second consecutive increase in new orders. Encouragingly, future business expectations rebounded after weakening in March, reflecting growing confidence that domestic economic activity will remain supportive over the coming months.

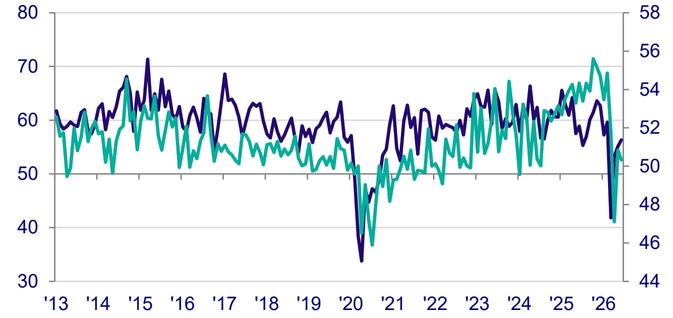
"Supply-side conditions also showed meaningful progress. Suppliers' delivery times improved to the greatest extent since February as firms successfully diversified supply chains and adapted logistics following earlier regional shipping disruptions. At the same time, input cost inflation eased from April's exceptionally elevated level, although transportation and raw material costs remained under upward pressure. Competitive market conditions limited the extent to which businesses passed higher costs onto customers, highlighting continued pricing discipline within the SME sector.

"Employment growth remained positive. Firms generally continued to hire cautiously, balancing expanding business activity with ongoing productivity improvements. The relatively measured pace of hiring suggests that SMEs remain focused on operational efficiency while maintaining flexibility.

"The improving performance of SMEs is increasingly supported by a stronger financing environment. According to latest data, total credit facilities extended to micro, small and medium-sized enterprises reached approximately SAR 489 billion in Q1 2026, representing an increase of more than 66% compared with the same period a year earlier.

SME PMI Output Index
sa, >50 = growth since previous month

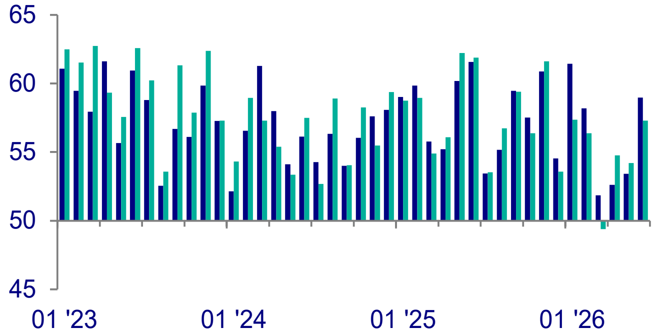
SME PMI Employment Index
sa, >50 = growth since previous month



Sources: Riyad Bank, S&P Global.

PMI Future Output Index
>50 = growth expected over next 12 months

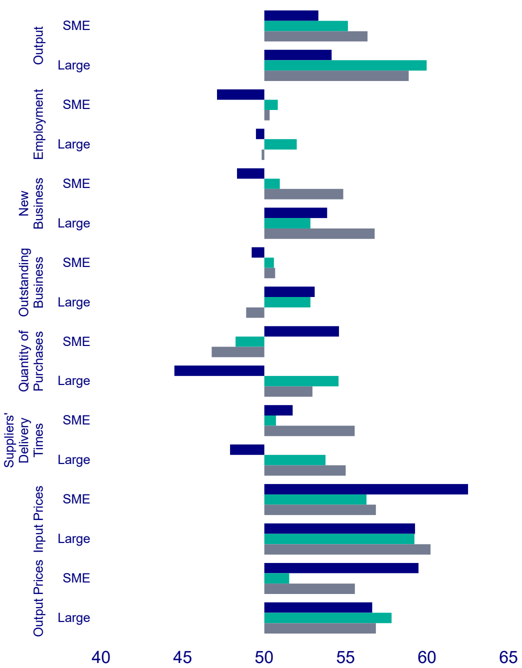
SME / Large (250+)



Sources: Riyad Bank, S&P Global.

Index summary
sa, >50 = growth since previous month

Apr '26 / May / Jun



Sources: Riyad Bank, S&P Global.

Comment (continued).

"Banks continue to provide the overwhelming majority of financing, accounting for around 95% of total SME credit, while finance companies complement lending to specific market segments. Medium-sized enterprises remain the largest recipients of financing, although credit growth has been particularly strong among micro and small businesses, reflecting broader financial inclusion and expanding access to funding. The share of SME financing within total credit facilities has also risen steadily to 11.8%, illustrating continued progress toward the Kingdom's Vision 2030 objective of expanding financing to the SME sector.

"Overall, the June PMI results reinforce the view that Saudi Arabia's SME sector remains a key driver of non-oil economic growth. Improving business activity, recovering demand, easing supply constraints, stronger financing availability, and renewed business confidence collectively position SMEs to continue contributing to investment, employment, and economic diversification during the remainder of 2026."

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Survey methodology

The Riyad Bank Saudi Arabia SME PMI® is a new quarterly report compiled by S&P Global, designed to monitor business conditions among enterprises with less than 250 employees. The index is compiled from responses to monthly questionnaires sent to purchasing managers that participate in the Riyad Bank Saudi Arabia Whole Economy PMI® surveys. The panel of around 300 private sector companies 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. SME data are available from January 2013.

The report was based on data collected in June 2026. The next Riyad Bank Saudi Arabia SME PMI® report will be published in October 2026, featuring data compiled in each month of Q3 2026.

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.

About Riyad Bank

Riyad Bank is one of the largest financial institutions in the Kingdom of Saudi Arabia and the Middle East. Established in 1957, with a paid-up capital of SAR 30 billion. Our professional and dedicated staff base has mainly driven our success throughout the years. With more than 5,900 employees, we take pride of being among the Saudi organizations with the highest national employment rate of 94%.

We provide a comprehensive range of products and services fully compliant with the Islamic Sharia' to meet the needs of both retail and corporate customers, including small and medium-size enterprises. We play a leading role in various areas of finance and investment around Saudi Arabia, that is why we are distinguished as a leading financier and arranger of syndicated loans in the oil, petrochemicals and most of the Kingdom's notable infrastructure projects.
www.riyadbank.com

About S&P Global

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We are widely sought after by many of the world's leading organizations to provide credit ratings, benchmarks, analytics and workflow solutions in the global capital, commodity and automotive markets. With every one of our offerings, we help the world's leading organizations plan for tomorrow, today. www.spglobal.com.

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