

News Release

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Riyad Bank Saudi Arabia PMI®

Employment growth strengthens in August as businesses boost capacity

Key findings

Staffing levels rise solidly in August

New order growth picks up, but remains slow compared to recent trend

Selling prices fall for second month running

The Saudi Arabian non-oil private sector saw a further improvement in business conditions in August, as well as increased efforts by companies to build their operating capacity. According to the Riyad Bank Saudi Arabia PMI®, job creation was a key feature of the expansionary trend, with employment numbers rising at one of the sharpest rates in a decade. Purchasing activity and stock levels were also elevated amid stronger business expectations and a slight pick-up in growth of new orders.

Nevertheless, overall growth momentum remained slower than the recent trend, with non-oil private sector output increasing at one of the weakest rates since the beginning of 2022. Subsequently, businesses reduced their selling prices for a second month running in an attempt to reaccelerate demand. Margins were squeezed, albeit less so than in July, which was mainly due to a weaker rise in purchase costs.

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.

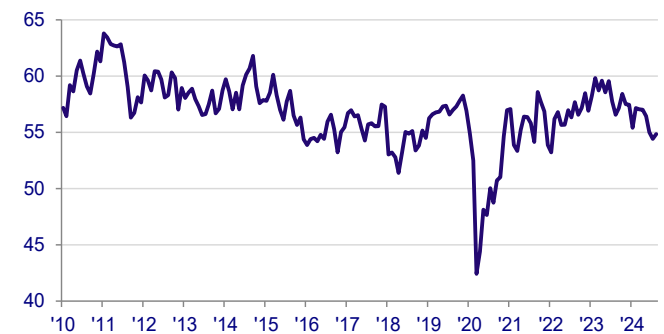
The Saudi Arabia PMI rose from 54.4 in July to 54.8 in August, indicating the first strengthening of non-oil private sector growth since February. However, the index was still at one of its lowest levels since the beginning of 2022 and below its long-run average of 56.9.

Saudi Arabian non-oil companies raised their activity levels at a robust pace once again midway through the third quarter, in response to greater inflows of new business. Survey respondents commonly mentioned the receipt of orders from new and existing customers, as well as positive benefits from increased government investment. Companies also reported a solid uplift in foreign sales.

That said, activity and new business growth remained subdued compared to the rates observed over the past couple of years,

Riyad Bank Saudi Arabia PMI

sa, >50 = improvement since previous month



Sources: Riyad Bank, S&P Global PMI.
Data were collected 12-21 August 2024.

Comment

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

"Saudi Arabia's non-oil sector continues to demonstrate economic resilience, underscored by a robust 4.4% increase in non-oil GDP in Q2 2024, reflecting the ongoing success of the Kingdom's diversification efforts. The PMI reading of 54.8 in August, a slight increase from 54.4 in July, further emphasizes the steady expansion of business activity, despite the challenges posed by the competitive market environment.

"Employment growth has been a key driver of this momentum in August, signaling those businesses are increasingly confident in their expansion plans. The uptick in new orders illustrates the sector's capacity to meet growing market needs. These positive indicators, coupled with a significant rise in future output expectations, highlight strong business optimism within the private sector.

"The increase in new export orders, although slower than the overall growth, shows that Saudi companies are finding opportunities abroad, despite facing tough competition in international markets. This expansion in exports is crucial for the Saudi economy as it works to diversify away from oil dependency and strengthen other sectors.

"However, the competitive nature of the market is exerting pressure on firms to reduce prices in an effort to stimulate sales, indicating that while the sector is growing, businesses must remain agile and responsive to maintain their market position.

"This competitive landscape is a testament to the strength of Saudi Arabia's non-oil economy. The Kingdom's Vision 2030 initiative, aimed at reducing reliance on oil revenues, is bearing fruit as the non-oil economy continues to grow driven by a combination of domestic reforms and global economic integration."

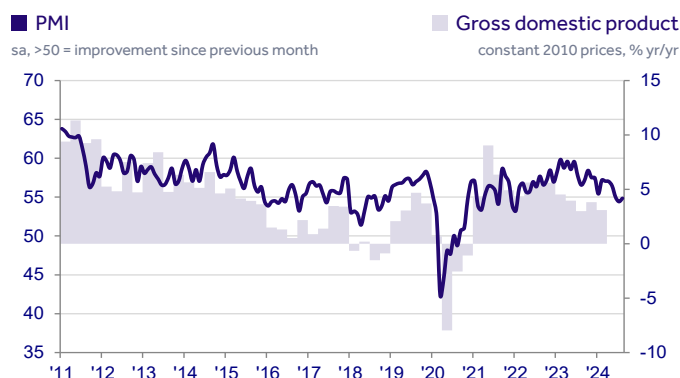
despite resilient demand conditions. This partly reflected difficulties at some firms to improve sales as markets become more competitive. In order to maintain demand strength, non-oil companies reduced their selling prices for the second consecutive month in August, albeit to a slightly lesser degree than in the prior survey period.

August survey data nonetheless signalled that non-oil firms were more upbeat about future activity, with expectations for the year ahead rising to their strongest since March. Survey respondents were generally optimistic towards sales pipelines, while also predicting a boost to output from investment, tourism and population growth.

As such, there were increased efforts to expand capacity, primarily through a rise in hiring activity. Apart from the peak observed in October 2023, employment grew at the sharpest pace since early 2015 in August. Firms often commented on the need to expand output and improve efficiency. Stocks of purchases also rose sharply, supported by a marked uplift in buying activity.

Surveyed firms were thereby able to deplete their outstanding workloads rapidly in August. The rate of decline in backlogs of work was the quickest since June 2020.

Input cost pressures eased to their lowest since July 2023 in August, due to a softer rise in overall purchase costs - the weakest recorded in three years. Staff wages nevertheless rose solidly as firms made improvements to salaries.



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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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