

News Release

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Riyad Bank Saudi Arabia SME PMI®

Rebound in new orders supports another strong upturn in SME business performance and job creation

Key findings

Sharp rise in SME output, but growth slows in December

Steep and accelerated upturn in new orders

Survey-record pace of SME job creation on average in Q4 2025

Input price inflation reaches six-month high

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

Latest data signalled a strong end to 2025 for small and medium-sized businesses (SMEs). Output and new business growth have accelerated from a soft patch in the summer, while job creation on average in the fourth quarter was the highest for over a decade.

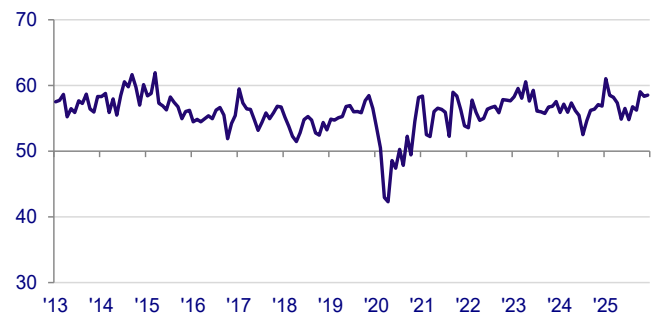
Saudi Arabian SMEs nonetheless faced challenges from rising input costs and intensifying competitive pressures. This contributed to an easing in business optimism to its lowest for five months in December.

At 58.5 in December, the headline seasonally adjusted Riyad Bank Saudi Arabia SME Purchasing Managers' Index™ (PMI®) edged up from 58.4 in November and signalled a robust overall improvement in business conditions. The headline index has posted above the neutral 50.0 threshold in each month since November 2020.

On a quarterly basis, the average SME PMI reading rose to 58.7 in Q4, from 55.9 in Q3. This matched the equivalent reading for large enterprises in the final quarter of 2025.

December data indicated a sharp increase in business activity at SMEs, despite the pace of expansion easing from the seven-month high seen in November. Many firms commented on the positive impact of rising business and consumer spending,

Riyad Bank Saudi Arabia SME PMI
sa, >50 = improvement since previous month



Sources: Riyad Bank, S&P Global.

supported by strong domestic economic conditions and major investment projects.

Resilient demand conditions led to another steep rise in new work at the end of 2025. The speed of expansion was slightly faster than in the first half of the year, but SMEs again noted challenges from new market entrants and intense competition. This contributed to a moderation in business activity growth expectations for the year ahead, with the respective index signalling the lowest optimism since July (mirroring the trend reported by large enterprises).

Despite weaker growth expectations for 2026, latest data pointed to robust job creation among SMEs. The upturn in employment numbers on average in the final quarter was the fastest since the index began in 2013.

Survey respondents noted that rising raw material prices and investments in new technologies contributed to stronger cost burdens in December. Overall input price inflation was the highest since June. Efforts to mitigate margin pressures in turn led to the fastest increase in prices charged by SMEs since August 2020.

Comment

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

"The PMI data shows a strong reading in the fourth quarter to continue signaling the evolving role of small and medium-sized enterprises in Saudi Arabia's growth model. With the headline PMI at 58.5, marginally higher than November, SMEs remain firmly in expansionary territory, indicating sustained growth in output, demand, and employment. The Q4 average of 58.7, up sharply from 55.9 in Q3 and on par with large enterprises, suggests that growth momentum has become more evenly distributed across firm sizes, reducing the historical dominance of large corporates in driving private-sector activity.

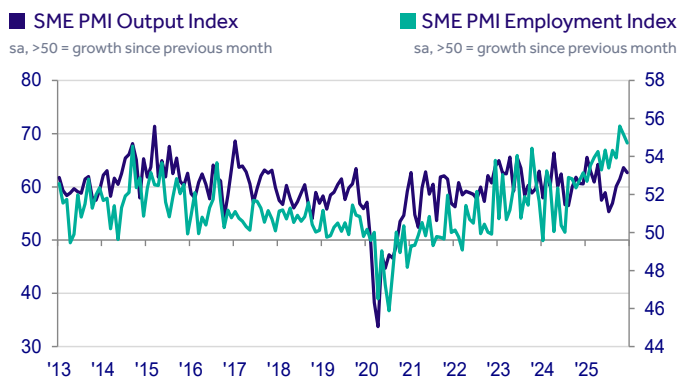
"From a demand-side perspective, strong readings for output and new business reflect resilient domestic spending and the transmission of public and quasi-public investment into the SME ecosystem. This confirms that large-scale projects and government-led investment are increasingly generating second-round effects through supply chains, services, and consumption-oriented SMEs – an essential mechanism for broad-based, non-oil growth.

"On the supply side, record job creation in Q4 – the fastest since the PMI series began in 2013 signals that SMEs are expanding productive capacity rather than merely operating at higher utilization rates. This is economically significant, as it implies rising factor input deployment and a structural increase in SMEs' contribution to value added and employment, rather than a cyclical rebound alone.

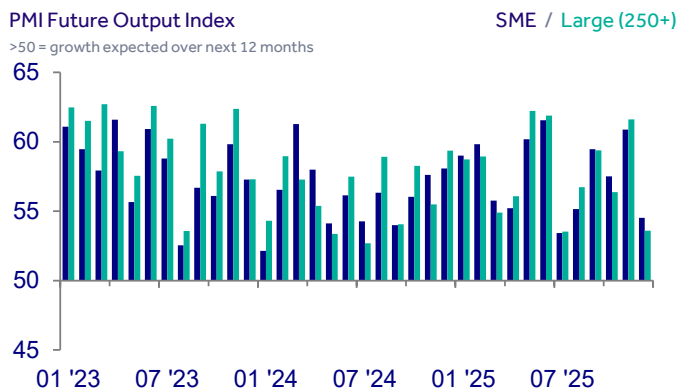
"Cost dynamics, however, introduce an important qualification. Rising input prices and higher output prices indicate emerging cost-push pressures, partly linked to commodity inputs and technology investment. While some pass-through to prices has been achieved, intensified competition is limiting margin expansion. This combination explains why business expectations softened despite strong current conditions: firms perceive growth as increasingly dependent on efficiency gains and scale rather than pricing power.

"Crucially, PMI strength in 2025 has been reinforced by a measurable improvement in financial intermediation. The share of total bank credit flowing to SMEs rose to about 13.7% in Q3 2025, nearly double its level in 2021. Economically, this signals a reduction in credit constraints and a shift in resource allocation toward smaller firms, supporting capital formation, hiring, and productivity growth.

"Together, these trends are directly aligned with the objectives of Vision 2030, which aims to raise the SME share of GDP to 35%. The PMI data suggest that SMEs are transitioning from a peripheral to a systemic growth driver, but sustaining this trajectory will require continued credit deepening, productivity-enhancing investment, and competitive resilience to convert cyclical strength into durable structural gains."



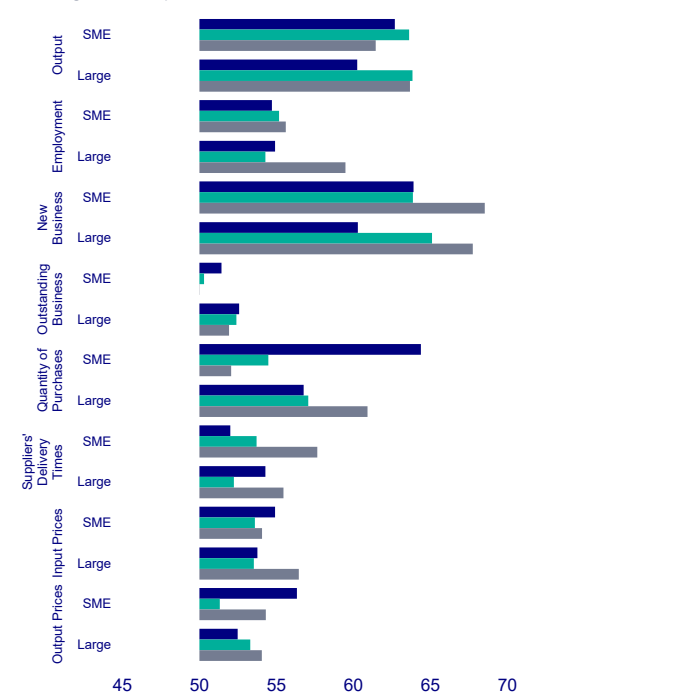
Sources: Riyadh Bank, S&P Global.



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Index summary

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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 December 2025. The next Riyad Bank Saudi Arabia SME PMI® report will be published in April 2026, featuring data compiled in each month of Q1 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.

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