

News Release

Embargoed until 0715 AST (0415 UTC) 5 April 2022

S&P Global Saudi Arabia PMI®

Fastest rise in non-oil activity since December 2017

Key findings

New orders continue to increase sharply

Output and purchasing rise at quickest rates in over four years

Inflationary pressures on business costs accelerate

The Saudi Arabian non-oil private sector continued to grow strongly in March, as the latest PMI data pointed to marked expansions in output and new orders. The former reached its fastest rate of growth in over four years, helped by stronger improvements in purchasing and supplier delivery times. However, firms were also vulnerable to a sharp escalation in energy and material prices due in part to the war in Ukraine, culminating in the strongest uplifts in both costs and selling charges since August 2020.

The headline seasonally adjusted S&P Global Saudi Arabia Purchasing Managers' Index™ (PMI®) posted at 56.8 in March, rising from 56.2 in February and staying above the 50.0 mark that separates growth from contraction. The reading was also the highest recorded since November last year to signal a sharp improvement in business conditions across the non-oil private sector economy.

Three of the five sub-indices of the PMI had a positive influence over the latest survey period, most notably the Output Index which rose to its highest level since December 2017. Approximately 28% of panellists found that output had risen from the previous month, often relating this to an increase in new orders and project work.

New business growth was similarly marked at the end of the first quarter, rising to the strongest extent since last November. Businesses continued to highlight a pick-up in economic conditions as the impact of the pandemic receded, leading to new clients and increased sales. For the first time in three months, firms also saw an upturn in new export orders, albeit a modest one.

With output and new orders rising sharply, Saudi Arabian non-oil firms raised their input purchases amid efforts to meet current demand and prepare stocks for future growth. The expansion in input buying was the fastest registered since December 2017 and resulted in a sharp and quicker uplift in inventory levels.

S&P Global Saudi Arabia PMI
sa, >50 = improvement since previous month



Source: S&P Global.
Data were collected 11-23 March 2022.

Comment

David Owen, Economist at S&P Global, said:

"The Saudi Arabia PMI continued to signal strong growth in the non-oil economy in March, as new business and activity rose sharply in line with recovering client demand. Supply chains also displayed strength, with lead times shortening to the greatest extent for three years. In turn, companies raised their purchasing at the fastest rate since December 2017, supporting higher capacity levels.

"On the flip side, cost pressures escalated during March as commodity prices turned volatile in response to the Russia-Ukraine war. Rising petrol and raw material prices greatly added to firms' expenses sheets. However, with sales also improving, businesses were able to increase their output prices accordingly - both costs and charges rose at the strongest rates since August 2020."

PMI®

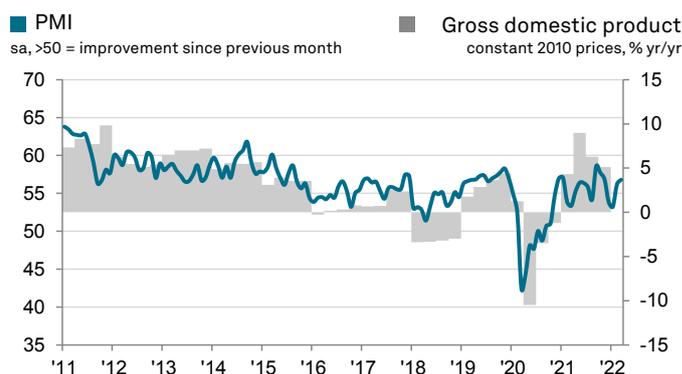
by S&P Global

Stockbuilding was also fuelled by an improvement in supplier performance, as vendors were often able to make quicker deliveries in response to client demands. As a result, average lead times shortened to the greatest extent in exactly three years.

The improved supply of inputs contributed to a reduction in outstanding work, continuing the trend seen since February 2020. Although the decline in backlogs was only marginal, some firms sought to reduce their labour capacity, leading to the first drop in employment for a year.

Meanwhile, a sharp rise in global energy and commodity prices due to the Russia-Ukraine war was reported to have inflated cost burdens at Saudi Arabian businesses in March. Firms commonly saw a rise in the price of petrol as well as several raw materials, leading to a marked increase in purchasing costs. With staff costs also up fractionally, input prices rose at the fastest rate in just over a year-and-a-half. A solid uplift in output charges was also registered in the latest data.

Regarding future activity, firms remained generally upbeat in March, albeit slightly less so compared to February. About 14% of panellists forecast a rise in output over the next 12 months, amid expectations that the current strong growth in sales will continue. However, the level of sentiment remained weak compared to the historical trend.



Sources: S&P Global, GaStat.

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Survey methodology

The S&P Global 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.

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