

News Release

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alrajhi capital Saudi Construction Index

Construction output returns to growth in May

Key findings

- Rebound in housing activity drives uplift in construction output
- New work rises for first time since February
- Input cost inflation highest since the survey began in January

This release marks the public launch of the alrajhi capital Saudi Construction Index, a new monthly survey of 200 construction companies that have been carefully selected to accurately represent the true structure of the Saudi Arabian construction sector.

The headline index is the seasonally adjusted alrajhi capital Saudi Construction Index. This tracks changes in the total volume of construction activity compared with one month previously. It is a weighted average of three sub-sectors: residential, non-residential structures (office/commercial, institutional, industrial), and infrastructure (transportation, energy/utilities).

The report also tracks monthly changes in variables such as new orders, business activity expectations, employment, prices and suppliers' delivery times.

Modest rise in total output levels

The headline seasonally adjusted alrajhi capital Saudi Construction Index registered 51.2 in May, up from 48.5 in April and therefore back above the crucial 50.0 no-change value that separates expansion from contraction. The latest reading was the highest for three months and signalled a modest upturn in total construction activity. That said, the rate of growth was still softer than seen at the start of 2026.

Many firms noted that greater regional stability had prompted the resumption of work on existing sites and the restart of progress on new projects. However, despite reporting a rebound in output and new orders since April, survey respondents commented on challenges from elevated business uncertainty, rising input costs, and a degree of risk aversion among clients.

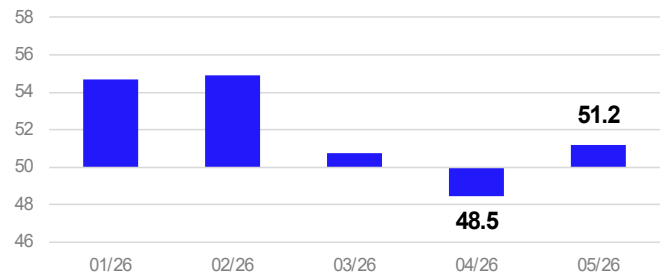
Residential work outperforms

For the first time since January, residential building was the best-performing category of construction activity (index at 53.8). This was linked to strong underlying housing demand, a recovery in client confidence, and improved market dynamics after disruptions due to regional instabilities.

Non-residential structures also saw an increase in activity (index at 50.5). This category has registered a sustained

alrajhi capital Saudi Construction Index

sa, >50 = construction activity growth m/m



Data were collected 12-21 May 2026.

Sources: alrajhi capital, S&P Global Market Intelligence. ©2026 S&P Global.

Comment

Sultan Altowaim, Head of Research at alrajhi capital said:

"The alrajhi capital Saudi Construction Index signalled an encouraging return to growth for the sector in May, supported by a rebound in residential activity, renewed growth in new work orders and stronger business expectations. The improvement in residential activity is particularly notable, as it coincides with a relative recovery in mortgage data in Saudi Arabia."

"The outlook improved significantly compared to April, with participants pointing to resilient underlying demand and Vision 2030-related projects. Non-residential structures also remained in expansion, supported by commercial and industrial project pipelines, while infrastructure activity softened during the month."

"While participants continued to report higher transportation costs and some logistics-related delays linked to regional geopolitical developments, the overall picture remains constructive."

expansion throughout the year to date. Growth was linked to strong pipelines of work on commercial development and industrial projects, alongside a renewed improvement in investor confidence.

Infrastructure activity dipped in May for the first time since the survey began (index at 45.7), which was attributed to subdued orders in recent months.

Renewed upturn in order books

Measured overall, new business intakes across the construction sector returned to growth in May, following a two-month period of decline. The speed of expansion was nonetheless below that seen in January and February.

Survey respondents typically commented on a recovery in underlying demand in May, as well as a continued boost to sales pipelines from long-term economic diversification projects, Vision 2030 initiatives, and structural factors such as rapid urbanisation.

Supplier performance improves, but cost inflation accelerates

There were positive signals for supply chains in May as overall delivery times for construction inputs shortened for the first time since February. Moreover, subcontractor availability improved at an accelerated pace.

However, some firms noted that ongoing shipping delays in the region has disrupted deliveries of some imported items. Moreover, higher transportation bills and raw material costs led to the sharpest rise in input prices since the survey began in January.

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Methodology

The alrajhi capital Saudi Construction Index is compiled by S&P Global from responses to questionnaires sent to a panel of around 200 construction companies. The panel is stratified by company by International Standard Industrial Classification (ISIC) group and workforce size, based on contributions to GDP. Survey data were first collected in January 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 alrajhi capital Saudi Construction Index. This is a diffusion index that tracks changes in the total volume of construction activity compared with one month previously. It is a weighted average of the residential activity, non-residential activity and infrastructure activity 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 survey methodology, please contact economics@spglobal.com.

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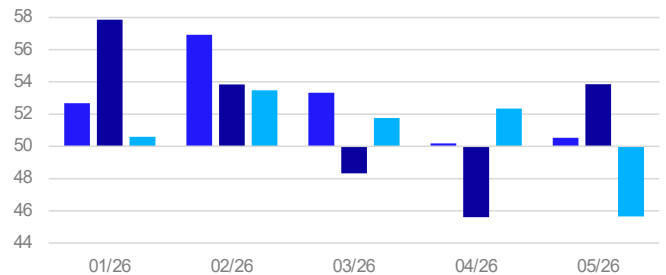
Business optimism picks up

May data signalled a swift recovery in business activity expectations after the dip seen during April. Around 30% of the survey panel predict a rise in total activity over the year ahead, while only 16% forecast a decline. This index was the highest for four months. Construction firms widely commented on resilient demand, hopes of regional stability, rising investment sentiment and favourable growth opportunities across the Kingdom linked to large-scale public development projects.

Construction activity by sub-sector

■ Residential structures ■ Non-residential structures
■ Infrastructure

Activity Index, sa, >50 = construction activity growth m/m



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