

News Release

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Riyad Bank Saudi Arabia PMI®

Growth of non-oil activity strengthens to over seven-year high

Key findings

New order growth accelerates to fastest in 14 months

Price pressures up to sharpest since July

Strongest outlook since start of 2021

The Saudi Arabia PMI® from Riyad Bank pointed to another robust improvement in business conditions across the non-oil economy in November, underscored by a sharp expansion in business activity that was the fastest since August 2015. New order growth accelerated to a 14-month high, leading to a sharper rise in purchasing activity, but falling backlogs and strong capacity levels meant that job creation remained mild.

At the same time, non-oil businesses saw a pick up in inflationary pressures, as average input costs and prices charged rose to the greatest degree since July.

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 headline index increased for the second consecutive month in November, rising to 58.5 from 57.2 in October, and remained firmly above the 50.0 mark that separates growth from contraction. The reading was also the highest seen since September 2021 and above the long-run series average of 56.8.

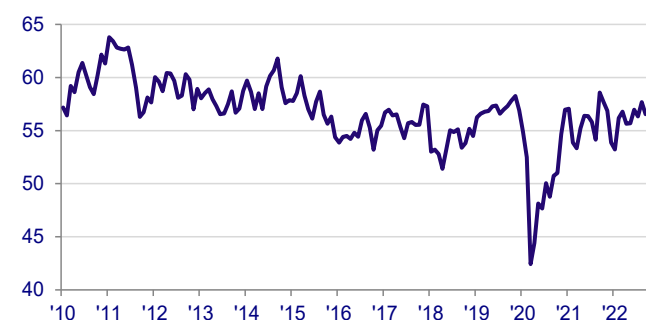
Non-oil companies continued to register a sharp uplift in new business in November, which survey panellists attributed to improving economic conditions, rising client demand and increased investment. Notably, the rate of sales growth picked up to the sharpest in over a year, as over 41% of surveyed businesses reported an increase from the prior month. As well as strong domestic conditions, firms saw the quickest increase in new export business since November 2015.

As a result, output levels expanded at the strongest rate for more than seven years, with growth remaining sharp in each of the manufacturing, construction, wholesale & retail and services sectors. The rise in activity helped firms to complete new orders and reduce backlogs of work for the sixth month running.

Rising demand encouraged non-oil businesses to expand their purchasing in November. Input buying rose at the second-fastest

Riyad Bank Saudi Arabia PMI

sa, >50 = improvement since previous month



Sources: Riyad Bank, S&P Global.

Data were collected 11-22 November 2022.

Comment

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

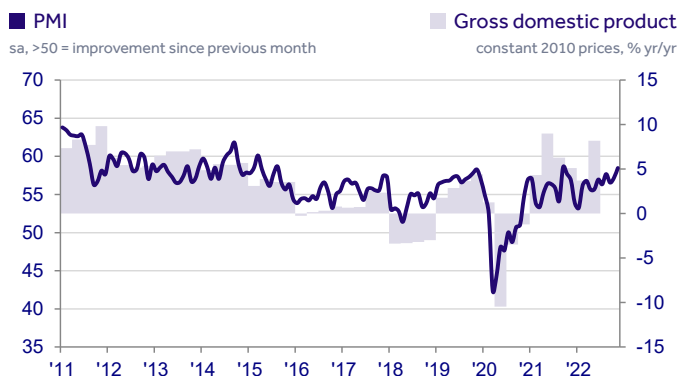
"The Saudi Economy is continuing its expansion in the non-oil sector in November, business conditions have improved across the board in light of rising demand. Output levels have expanded at the fastest pace in seven years, driving cost pressures higher and resulting in increased prices charged to consumers. Improved business expectations was also observed as a result of the ongoing execution of Vision 2030 initiatives, which provided confidence to the outlook of future output of the non-oil activities."

rate since August 2015, leading to a robust increase in inventories. Stock additions were helped by a stronger improvement in supplier performance. On the flip side, employment numbers rose only slightly, with most companies keeping staffing unchanged from the month before.

Meanwhile, the latest survey data pointed to an uptick in input cost inflation during November. Average input prices rose sharply and at the quickest pace since July, amid reports of higher material prices and a greater impact from global inflationary pressures. Firms also reported a renewed rise in staff costs, after the first decrease for eight months was recorded in October.

The faster pace of cost inflation led to a solid and quicker increase in output charges, as firms looked to pass through higher expenses to their customers. Output prices rose in the manufacturing, wholesale & retail and services sectors, but fell in construction.

Finally, business expectations regarding the outlook for output ticked higher in November, leading to the most optimistic forecast for the year ahead since January 2021. Panellists commented that rising new orders and the government's Vision 2030 initiative gave them confidence that activity will strengthen.



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Survey methodology

The Riyad 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@ihsmarkit.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.
ihsmarkit.com/products/pmi.html.

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