

# News Release

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## S&P Global Saudi Arabia PMI<sup>®</sup>

### New business growth picks up to ten-month high

#### Key findings

Faster expansions in activity and new orders

Purchasing growth reaches seven-year high

Charge inflation softens notably to six-month low

The latest PMI<sup>®</sup> data from S&P Global saw growth reach a ten-month high in the Saudi Arabian non-oil economy in August, as improving demand conditions bolstered new business and activity. The upturn prompted a particularly sharp rise in purchasing, the fastest for seven years, as well as further stock building and job creation. At the same time, cost inflationary pressures eased for the second straight month, leading to the softest rise in output charges since February.

At 57.7 in August, the headline seasonally adjusted S&P Global Saudi Arabia Purchasing Managers' Index<sup>™</sup> (PMI<sup>®</sup>) was up from 56.3 in July to the highest level since October 2021. The index also climbed above its series average of 56.8, helped by faster growth in output, new orders and stocks of purchases.

Non-oil output continued to grow at a marked rate midway through the third quarter of the year, with the pace of growth re-accelerating from the previous month. Anecdotal evidence from survey panellists suggested that output had mainly increased due to rising new business inflows, which in turn were supported by improving demand conditions.

Illustrating this, the latest rise in new order volumes was the quickest seen for ten months, amid reports of recovering client demand and new customers. The upturn was helped by another strong increase in new export orders, albeit one that was slightly softer than July's eight-month high. By sector, new work rose the fastest among wholesale & retail firms, with expansions also recorded in manufacturing, construction and services.

The sustained improvement in non-oil activity led companies to expand their purchasing of inputs in August. In fact, the rate of purchasing growth accelerated to the sharpest in exactly seven years, as businesses looked to fulfil current demand and build extra stocks in anticipation of further sales growth. Despite rising input demand, firms often found

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



Source: S&P Global.  
Data were collected 12-22 August 2022.

#### Comment

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

*"The Saudi Arabia PMI pointed to added resilience in the non-oil economy during August, as business activity and sales continued to rise sharply despite reports of mounting global economic distress. Total new orders rose at the quickest pace since October last year, driven by improving client demand, higher exports, and a broad recovery in economic conditions since the pandemic. Businesses were also helped by a slight softening of input price pressures, allowing some firms to cut output charges in a bid to attract higher sales."*

PMI<sup>®</sup>

by S&P Global

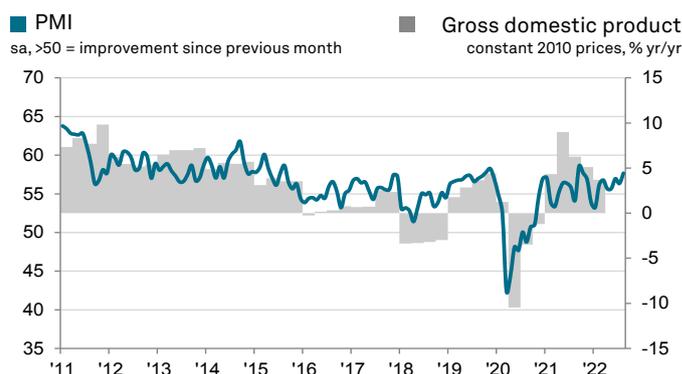
that vendors were able to make quicker deliveries, leading to a solid improvement in average lead times.

Employment levels rose for the fifth successive month in August, as businesses made additional efforts to build staffing capacity. However, amid evidence of a solid drop in backlogs, the rate of job creation was only marginal and fractionally slower than in July.

On the price front, non-oil businesses registered slowdowns in both input cost and output price inflation during August, reflective of softer pressure on purchasing costs as global commodity prices moderated. That said, fuel costs remained a key challenge for businesses, while staff wages increased for the sixth month running. The overall uptick in input costs was solid, although the least marked since May.

The fall in charge inflation was particularly strong in August, as latest data signalled one of the most marked month-on-month slowdowns in the series history. Moreover, the overall rise in selling charges was only slight and the softest since February, as some companies looked to provide extra discounts as cost pressures eased. The manufacturing and wholesale & retail sectors both recorded an outright drop in charges.

Finally, business confidence in the year ahead remained firmly upbeat in August, reflecting hopes that strong new order growth is set to continue despite mounting global economic pressures. Whilst slipping to a three-month low, the degree of optimism was one of the strongest seen over the last one-and-a-half years.



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](mailto:economics@ihsmarkit.com).

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