

# News Release

Embargoed until 0715 AST (0415 UTC) 5 February 2023

## Riyad Bank Saudi Arabia PMI®

### Business confidence hits two-year high as output growth strengthens

#### Key findings

Rapid uplifts in output and new business

Business optimism rises to two-year high

Cost and charge inflation ease

Confidence among non-oil private sector firms in Saudi Arabia climbed to a two-year high in January, according to latest PMI® survey data, as firms gave a robust forecast for the year ahead supported by strong inflows of new orders, high capacity, rising activity and softening cost pressures. Output and new business growth accelerated on the month, but job creation slowed from December's near five-year high as firms continue to reduce their backlogs. Purchasing activity increased sharply and supply chains showed further signs of improvement, whilst inflationary pressures on both costs and charges softened from December.

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 rose from 56.9 in December to 58.2 in January, posting firmly above the 50.0 value that separates growth from contraction. Moreover, the reading was the second-highest recorded since September 2021, following the recent high in November.

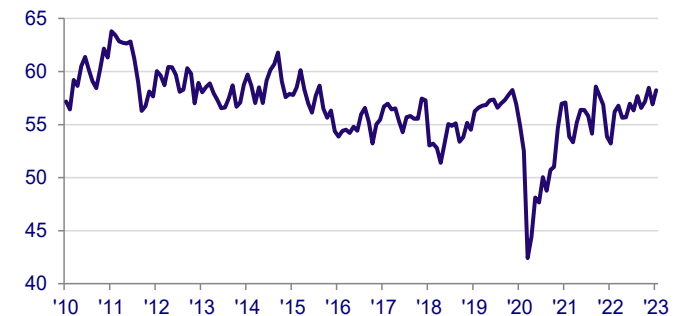
The uplift was driven by positive directional influences from the Output, New Orders and Stocks of Purchases sub-indices, with all three seeing a pick-up in growth rates from the previous survey period. A slower rise in employment and a greater reduction in delivery times acted against the headline index.

New order inflows continued to rise at a marked pace in January, as firms typically commented on improving demand conditions and stronger client orders. The rate of increase quickened from December and was the second-sharpest in 16 months. Demand from foreign clients increased rapidly and to a greater degree than at the end of 2022.

Subsequently, non-oil activity levels expanded sharply in January, with around a third of all surveyed companies seeing an uplift on the month. Notably, the rate of growth was only slightly softer

Riyad Bank Saudi Arabia PMI

sa, >50 = improvement since previous month



Sources: Riyad Bank, S&P Global.  
Data were collected 12-23 January 2023.

#### Comment

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

"Saudi Arabia is continuing its strong performance and outperformed the global economic trends for activity and demand. The non-oil sector is starting this year with a strong headline growth at 58.2 in January, recording the second highest growth since September 2021. This growth confirms the Saudi position as the fastest-growing economy among the Group of 20 countries despite economic headwinds.

"This month, Saudi Arabia has also recorded a very strong future confidence level which climbed to a two-year high in January. This was driven by the ongoing improvement in the business environment, private-sector employment, and increased foreign investment with governance and labour market reform.

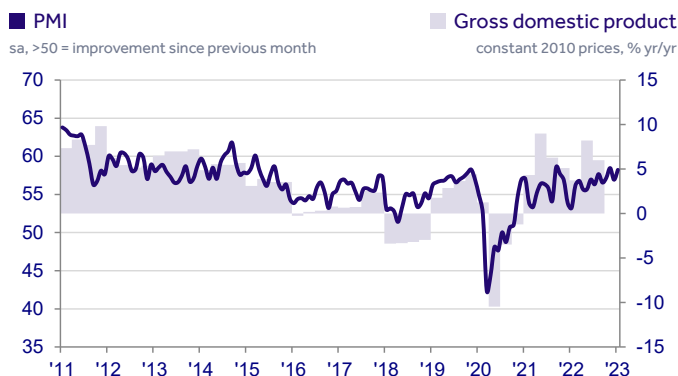
"Inflation is expected to soften in the upcoming months with the reduction in input cost pressures and the continued improvements in supply chains. We have started to see weaker increases in output prices corresponding with input costs. The rise in output prices was the softest in nearly a year, despite the growth in new orders which remained marked in January."

than November's over seven-year high.

In addition, businesses gave a stronger projection for activity levels in the upcoming year. The degree of positivity picked up to the highest level since January 2021, as panellists largely expect demand growth to continue and market conditions to improve.

Meanwhile, surveyed firms continued to report an appreciable degree of spare capacity in January, allowing them to complete work on time and reduce backlogs. Outstanding business levels fell for the eighth month running. As a result, hiring growth moderated from December's near five-year record and was only slight. Conversely, input purchasing rose to a sharper degree as firms mentioned increased efforts to build inventories in anticipation of future sales.

Supply chain conditions remained relatively healthy at the start of 2023. Vendor performance improved at a solid pace as suppliers responded positively to requests for faster deliveries. At the same time, purchase price inflation softened and was less marked than the series average, as only a few panellists highlighted an increase in raw material prices. With staff costs up only fractionally, overall cost pressures were subdued and the softest for three months. Consequently, businesses raised their output prices only slightly and at the weakest rate in nearly a year.



Sources: Riyad Bank, S&P Global, GaStat.

## Contact

Naif Al-Ghaith  
Chief Economist  
Riyad Bank  
T: +966-11-401-3030 Ext.: 2467  
[naif.al-ghaith@riyadbank.com](mailto:naif.al-ghaith@riyadbank.com)

Bader Al-Abdulqader  
Senior Economist  
Riyad Bank  
Tel.: +966-11-401-3030 Ext.: 2469  
[bader.al-abdulqader@riyadbank.com](mailto:bader.al-abdulqader@riyadbank.com)

David Owen  
Senior Economist  
S&P Global  
T: +44 1491 461 002  
[david.owen@spglobal.com](mailto:david.owen@spglobal.com)

Sabrina Mayeen  
Corporate Communications  
S&P Global Market Intelligence  
T: +44 7967 447 030  
[sabrina.mayeen@spglobal.com](mailto:sabrina.mayeen@spglobal.com)

If you prefer not to receive news releases from S&P Global, please email [katherine.smith@spglobal.com](mailto:katherine.smith@spglobal.com). To read our privacy policy, [click here](#).

### 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](mailto: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](https://ihsmarkit.com/products/pmi.html).

### Disclaimer

The intellectual property rights to the data provided herein are owned by or licensed to S&P Global and/or its affiliates. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without S&P Global's prior consent. S&P Global shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall S&P Global be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers' Index™ and PMI® are either registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited and/or its affiliates.

This Content was published by S&P Global Market Intelligence and not by S&P Global Ratings, which is a separately managed division of S&P Global. Reproduction of any information, data or material, including ratings ("Content") in any form is prohibited except with the prior written permission of the relevant party. Such party, its affiliates and suppliers ("Content Providers") do not guarantee the accuracy, adequacy, completeness, timeliness or availability of any Content and are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, or for the results obtained from the use of such Content. In no event shall Content Providers be liable for any damages, costs, expenses, legal fees, or losses (including lost income or lost profit and opportunity costs) in connection with any use of the Content.