

News Release

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S&P Global Saudi Arabia PMI[®]

Robust demand supports stronger rise in employment

Key findings

Job numbers rise at fastest rate since September 2019

Sharp upturns in output and new orders

Cost pressures remain marked

The Saudi Arabian non-oil private sector enjoyed another solid month of growth in July, boosted by rising customer numbers, increased output and greater purchasing. The sustained upturn supported a faster increase in employment, with the rate of job creation accelerating to the strongest in nearly three years. Inflationary pressures remained marked, however, with both input costs and output charges recording solid rises.

The headline seasonally adjusted S&P Global Saudi Arabia Purchasing Managers' Index™ (PMI[®]) posted at 56.3 in July, signalling an improvement in business conditions for the twenty-third month in a row. Despite falling from 57.0 in June, the index was broadly consistent with the readings observed in 2022 so far.

Saudi Arabian non-oil businesses continued to see a marked uplift in activity during July, albeit with the rate of growth softening slightly from the end of the second quarter and posting below the survey trend. Five times as many firms saw an increase in activity on the month compared to those that saw a decline (25% vs 5%), with the expansion mainly linked to higher sales, new projects and greater marketing.

New work intakes also rose markedly in July, with the latest upturn the second-quickest for eight months. Businesses linked rising sales to both improving market conditions at home and strengthening export demand, as new foreign orders increased sharply and to the greatest extent since last November. Demand continued to pick up across the non-oil sector, with all four monitored categories registering robust sales growth.

With new orders increasingly rapidly, firms were encouraged to raise their employment levels further in July, extending the current period of growth to four months. Furthermore, the pace of job creation was the quickest since September 2019.

As a consequence of increased staffing and higher output,

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



Source: S&P Global.
Data were collected 12-21 July 2022.

Comment

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

"The Saudi Arabia PMI remained firmly in growth territory in July, posting 56.3 after reaching an eight-month high of 57.0 in June. New business continued to rise substantially, helped by recovering demand and strengthening export sales. As a result, output expanded sharply and employment numbers rose at the fastest pace since September 2019, following a period of weakness in labour markets since the COVID-19 pandemic began.

"Firms continued to face pressure from sharply rising input costs, however, with the rate of inflation staying strong despite easing from June. Output prices rose solidly which could impact market demand going forward as global inflationary pressures also persist."

PMI[®]

by S&P Global

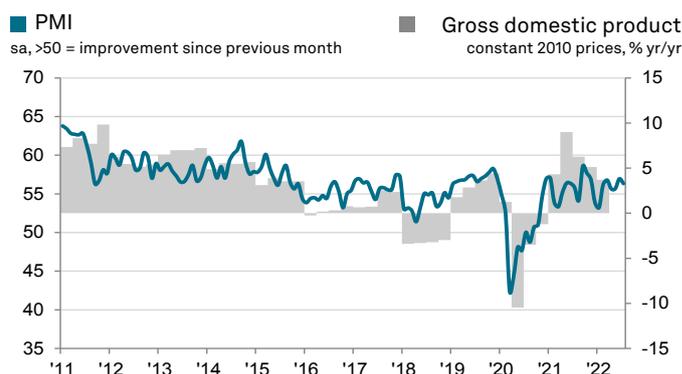
backlogs of work decreased sharply at the start of the third quarter. The rate of decline was the strongest recorded in just over two years. Efforts to complete unfinished orders were helped by a sharp and accelerated rise in buying activity, as firms also looked to expand their inventories to cope with stronger demand.

Lead times on inputs shortened for the sixth consecutive month in July, as several panellists commented that vendors were able to reduce their delivery times when requested. In fact, the overall improvement in supplier performance was the second-fastest in almost four years. As a result, inventories of purchased items picked up rapidly, although sector data suggested that this was mainly driven by wholesale & retail companies.

On the prices side, latest survey data indicated that firms continued to face a rapid increase in input costs. The rate of inflation edged lower in July, but was still the second-quickest since August 2020. Anecdotal evidence showed that rising oil and material prices were the main drivers of inflation, while staff wages rose at the sharpest pace since February 2018.

The uptick in costs was largely passed through to customers, as highlighted by a further solid increase in average prices charged. The uplift accelerated slightly to a three-month high, with wholesale & retail firms recording the most notable rise.

Finally, non-oil firms gave a robust projection for future activity in July, with the degree of optimism slipping marginally but remaining one of the strongest seen since the pandemic began. Hopes of higher output levels were mostly attributed by panellists to the improving demand situation.



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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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