

# News Release

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## Riyad Bank Saudi Arabia SME PMI®

### SME business conditions deteriorate for first time since October 2020

#### Key findings

Output levels and new orders decline in March

Moderate pace of job creation maintained

Backlogs of work increase at fastest pace since August 2018

Higher fuel and transportation costs push up input prices

The Riyad Bank Saudi Arabia SME PMI® is a quarterly report designed to monitor business conditions at small and medium-sized enterprises (SMEs).

March data highlighted challenging operating conditions for small and medium-sized businesses (SMEs) as regional instabilities had an adverse impact on customer demand and supply chains. This led to a decline in output at Saudi Arabian SMEs for the first time in five-and-a-half years.

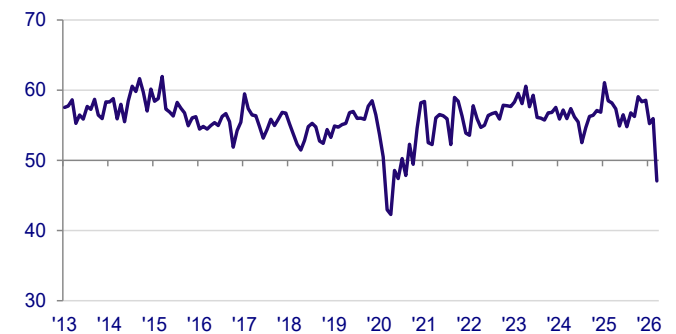
The headline seasonally adjusted Riyad Bank Saudi Arabia SME Purchasing Managers' Index™ (PMI®) registered 47.1 in March, down from 55.9 in February and below the neutral 50.0 threshold for the first time since October 2020. Moreover, the latest reading signalled the weakest SME business performance since the early stages of the pandemic.

On a quarterly basis, the average SME PMI reading was 52.7 in Q1, with the positive figure reflecting robust business conditions in the opening months of 2026.

March data pointed to reduced business activity and incoming new work among SMEs, thereby ending more than five years of continuous expansion. Survey respondents often commented on softer order books due to delayed decision-making and more cautious spending patterns among clients in response to the war in the Middle East.

Despite weaker demand conditions, SMEs maintained a

Riyad Bank Saudi Arabia SME PMI  
sa, >50 = improvement since previous month



Sources: Riyad Bank, S&P Global.

focus on boosting capacity and delivering on their long-term business expansion plans. This was reflected by a sustained increase in staffing numbers during March. However, the speed of job creation was only modest and the least marked since July 2024.

SMEs reported some supply chain disruptions in March, which contributed to the sharpest increase in backlogs of work for just under eight years. Moreover, stocks of purchases were depleted for the first time since December 2022. This contrasted with a robust accumulation of inventories among large enterprises.

Input cost inflation edged higher in March, with SMEs reporting the sharpest increase in input prices for three months. This was attributed to higher prices paid for fuel, transportation and raw materials.

Confidence towards the business outlook was the least optimistic since April 2022. This was mainly attributed to concerns about the impact and duration of the war in the Middle East. SMEs nonetheless cited optimism linked to public sector investment and economic diversification projects.

### Comment

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

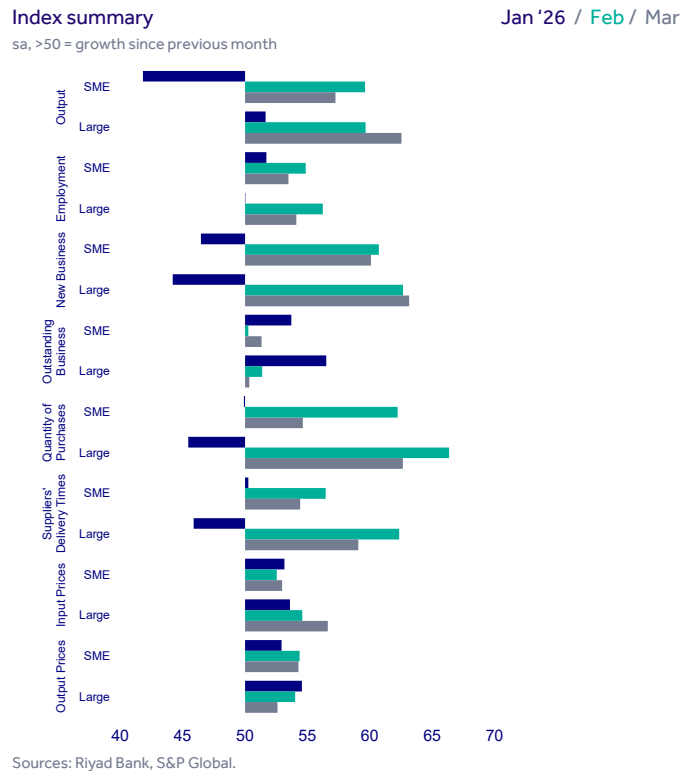
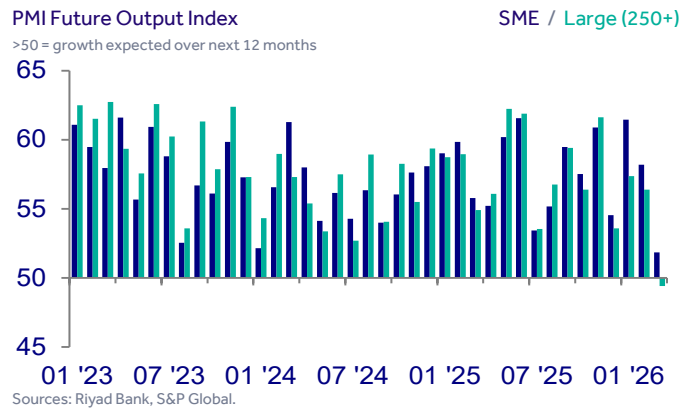
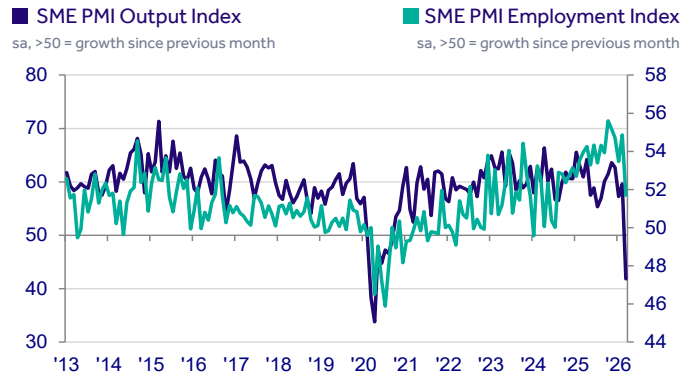
"The first quarter of 2026, continues to reflect resilience in Saudi Arabia's SME sector. The quarterly average PMI remained firmly in expansionary territory at 52.7, underscoring that underlying activity is still growing despite a temporary moderation in March, where the index eased to 47.1.

"The quarter began with solid momentum, supported by robust output and new business inflows. While March saw some moderation in demand, this was primarily driven by delayed client decisions rather than structural weakness. Encouragingly, this suggests that demand is deferred rather than lost, positioning the sector for a rebound as visibility improves.

"The easing in activity was most visible in new orders and output, which moderated after strong earlier gains. SMEs, typically more sensitive to shifts in sentiment, experienced a sharper adjustment; however, this also highlights their agility and ability to respond quickly to changing conditions. Importantly, the broader trend still points to sustained expansion when viewed across the full quarter.

"Operationally, some supply chain pressures persisted, with longer delivery times and elevated transport costs. However, the resulting buildup in backlogs is a positive signal of underlying demand strength. Firms responded prudently by managing purchasing activity and maintaining relatively stable inventory levels, indicating disciplined operations and effective cost control.

"Overall, SME fundamentals remain intact and demand conditions are expected to stabilize. SMEs are well-positioned to benefit from ongoing economic momentum and Vision 2030-driven opportunities."



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### Survey methodology

The Riyad Bank Saudi Arabia SME PMI® is a new quarterly report compiled by S&P Global, designed to monitor business conditions among enterprises with less than 250 employees. The index is compiled from responses to monthly questionnaires sent to purchasing managers that participate in the Riyad Bank Saudi Arabia Whole Economy PMI® surveys. The panel of around 300 private sector companies 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. SME data are available from January 2013.

The report was based on data collected in March 2026. The next Riyad Bank Saudi Arabia SME PMI® report will be published in July 2026, featuring data compiled in each month of Q2 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 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@spglobal.com](mailto:economics@spglobal.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. [www.spglobal.com/marketintelligence/en/mi/products/pmi](http://www.spglobal.com/marketintelligence/en/mi/products/pmi).

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