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IHS Markit Saudi Arabia PMI®

Sharp downturn in business activity as COVID-19 pandemic continues in April

Key findings

Survey-record decline in Saudi Arabia private sector output

New orders and employment levels continue to slide

Intense supply chain pressures signalled in April

April 2020 data were collected 7-22 April 2020.

Saudi Arabia's private sector economy was hard hit by lockdown measures at home and abroad to combat the coronavirus 2019 (COVID-19) pandemic during April. The latest data were collected 7-22 April 2020.

The headline seasonally adjusted IHS Markit Saudi Arabia Purchasing Managers' Index™ (PMI®) – a composite gauge designed to give a single-figure snapshot of operating conditions in the non-oil private sector economy – registered 44.4 in April, to remain well below the 50.0 no-change threshold.

The PMI was up slightly from 42.4 in March, reflecting a slower reductions in new work and stronger contribution from the suppliers' delivery times component.

Longer suppliers' delivery times are typically seen as an advance indicator of rising demand for raw materials and therefore have a positive influence on the PMI index. However, the survey-record downturn in supplier performance during April was instead linked to a supply shock as worldwide business shutdowns in response to the COVID-19 pandemic led to shortages of inputs and shipping delays.

April data meanwhile signalled a survey-record decline in Saudi Arabia private sector business activity (index at 37.5). Lower volumes of activity were almost exclusively attributed to business closures and shrinking customer demand. Where growth was reported, survey respondents often cited rising spending on healthcare products and services.

New work also decreased sharply in April, with export sales particularly hard hit by international border closures and lockdown measures abroad. The latest fall in new orders from

continued...

Saudi Arabia PMI

sa, >50 = improvement since previous month



Source: IHS Markit.

Comment

Tim Moore, Economics Director at IHS Markit, which compiles the survey:

"Saudi Arabian private sector output fell at the fastest pace since the survey began more than a decade ago, reflecting widespread business closures and a sharp reduction in customer demand.

"Export sales and international supply chains were also severely impacted by the global COVID-19 pandemic in April, with both indices hitting survey-record lows.

"The small minority of Saudi Arabian companies reporting business activity growth in April often linked this to higher spending on healthcare products and services. There were also sporadic reports that a successful shift to online operations had helped to limit the overall decline in new work, especially among service providers.

"However, survey respondents remain very cautious about their prospects for the year ahead, with business sentiment lifting only very fractionally from the record low seen in March."

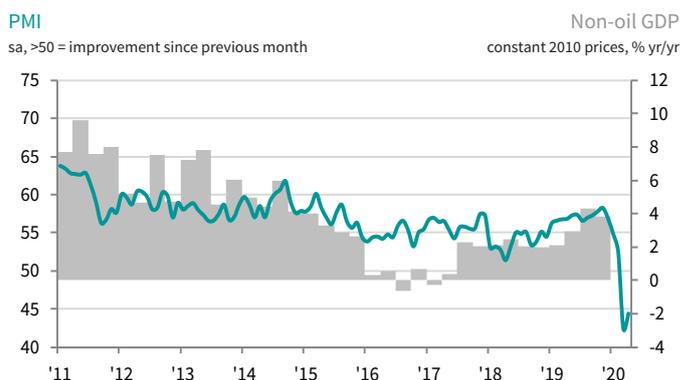
abroad was the fastest since the survey began in August 2009. However, the speed of the decline in total new work moderately slightly since March, with some firms noting that a shift towards online operations had helped to stem the downturn in domestic sales.

Meanwhile, staffing numbers were reduced at a sharp and accelerated pace in April. The latest decline in private sector employment was the steepest since the series began more than 10 years ago. Survey respondents commented on hiring freezes as well as redundancies in response to a severe drop in workloads.

April data also signalled a marked reduction in average staffing costs, which firms attributed to a combination of shorter working hours and new wage agreements with employees.

Private sector companies also indicated a sharp reduction in their purchasing activity during April. This was mostly linked to shrinking demand, but in some case survey respondents cited difficulties sourcing inputs due to business closures and longer lead-times among suppliers.

Looking ahead, the proportion of survey respondents expecting a rise in business activity over the year ahead exceeded those forecasting a reduction, but by only a small margin. The index was up slightly since March but still at a historically low level in April, mainly reflecting continued uncertainty about the length of worldwide lockdown measures.



Sources: IHS Markit, GaStat.

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Methodology

The IHS Markit Saudi Arabia PMI® is compiled by IHS Markit 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.

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.

April data were collected 07-22 April 2020.

For further information on the PMI survey methodology, please contact economics@ihsmarkit.com.

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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.

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