

## IHS Markit Saudi Arabia PMI®

# New business growth soars to seven-year high in September

### Key findings

Output expansion accelerates as new orders rise sharply

Business confidence jumps to strongest since January

Capacity pressures remain weak, keeping hiring subdued

Data were collected 13-22 September 2021.

Saudi Arabian non-oil private sector firms saw a substantial increase in new orders in September, as latest PMI data showed the rate of growth quickening to the fastest in exactly seven years. The relaxation of COVID-19 restrictions on activity and travel led to a strong boost in customer demand, helping firms to expand output at the sharpest rate since May. Expectations for future activity were also lifted, but employment growth remained weak as firms continued to report sufficient capacity levels.

The headline seasonally adjusted IHS Markit Saudi Arabia Purchasing Managers' Index™ (PMI) saw a gain of 4.5 points in September, its largest since survey data were first collected 12 years ago. Rising from 54.1 in August to 58.6, the reading also signalled the strongest improvement in non-oil operating conditions since August 2015.

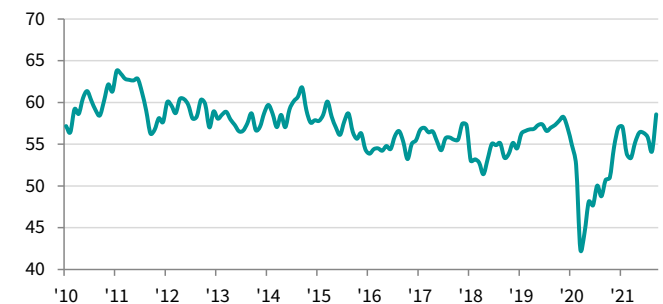
The 4.5-point rise largely came from a sharp acceleration in new order growth in September, the first in three months. Moreover, total new business increased at the fastest rate for seven years. According to surveyed firms, this was largely due to a boost to domestic client demand as travel restrictions were loosened and more clients returned to offices. Whilst strong overall, growth in new orders from abroad was comparatively subdued, though there were some reports that improving global economic conditions had supported sales.

Output at non-oil firms expanded to a greater extent in September, with growth accelerating for the first time in four months and approaching May's 41-month high. In addition,

*continued...*

Saudi Arabia PMI

sa, >50 = improvement since previous month



Source: IHS Markit.

### Comment

Commenting on the latest survey results, David Owen, Economist at IHS Markit, said:

*"The record rise in the PMI will be hugely encouraging for Saudi Arabian businesses. After two successive falls, the latest reading showed that the economic recovery has stamina, and the relaxation of pandemic measures will release new waves of demand."*

*"Notably, the increase in new orders was the sharpest seen for seven years, though there was little impact on workforces as employment continued to rise at just a marginal rate. Demand pressures and rising business optimism should lead more firms to hire staff over the final quarter of the year."*

*"Output prices meanwhile rose only slightly in September, reflecting firms' worries that they could be priced out of a competitive market. Overall cost pressures have remained modest so far but could intensify if raw material price rises spill over to more parts of the economy. The data will be eyed closely in coming months for any further inflationary risk."*

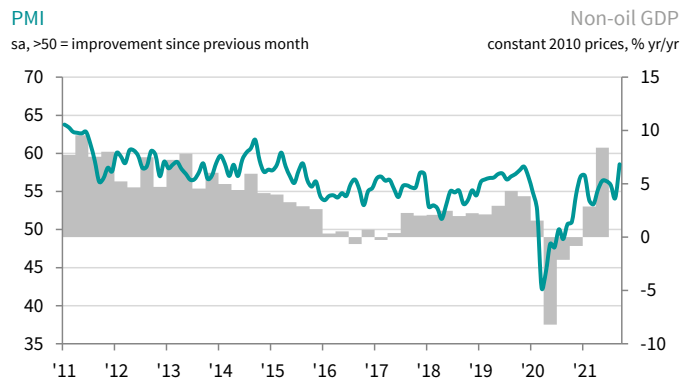
forecasts for future business activity improved to their strongest since the start of the year.

Despite the marked rise in sales, firms continued to keep on top of outstanding work and reduce overall backlogs at a moderate pace. Subsequently, there was again only a small uplift in employment numbers, though the rate of job creation ticked up to the quickest since June.

Firms were also able to expand their inventories of inputs sharply, despite the softest increase in buying activity for six months. Some survey respondents were helped by a reduction in supplier lead times, meaning that inputs arrived more quickly after August data pointed to some delivery delays.

On the prices side, latest data indicated a stronger, but still moderate, rise in purchasing costs at the end of the third quarter. Higher prices for raw materials and fuel drove costs burdens higher, with overall input price inflation the fastest since June. Staff expenses fell for the second month running, however.

Some companies opted to pass through rising costs to their clients, as output charges rose for the sixth consecutive month. However, for the first time in this period, the rate of charge inflation softened and was only marginal. In fact, there were sporadic reports that firms had lowered their prices amid concerns over stronger competition.



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.

Data were collected 13-22 September 2021.

For further information on the PMI survey methodology, please contact [economics@ihsmarkit.com](mailto:economics@ihsmarkit.com).

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### 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.

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