

Embargoed until 0715 AST (0415 UTC) 3 September 2019

IHS Markit Saudi Arabia PMI®

Faster improvement in business conditions during August

Key findings

Output growth picks up from July

Renewed fall in average input costs

Business confidence at three-month high

Saudi Arabia's non-oil private sector regained momentum midway through the third quarter of this year. Stronger domestic demand drove a faster upturn in output, which recovered from July's five-month low. On the price front, overall input costs decreased for the fourth time in the past eight months, driven by declines in both purchasing costs and wage bills.

Meanwhile, business confidence among companies in Saudi Arabia's non-oil private sector picked up to a three-month high, amid forecasts of stronger customer demand in the year ahead.

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 – rose to 57.0 in August, from 56.6 in July. This brought the headline index closer to its long-run survey average of 57.6 (since August 2009).

The upturn in business conditions seen in August was led by a slight quickening of overall new order growth. Export sales also increased solidly, though at a slower pace than in July. As a result, domestic markets were the main impetus for inflows of new business.

Increased demand resulted in higher overall output in August, with the rate of growth quickening from July.

August also saw a stronger increase in purchasing activity as firms sought to bring their buying levels into line with higher output requirements and build up inventories. Businesses that raised their stocks of purchases similarly commented on stronger demand conditions in August.

Confidence towards the outlook for activity over the coming year

continued...

Saudi Arabia PMI

sa, >50 = improvement since previous month



Source: IHS Markit.

Comment

Commenting on the latest survey results, Amritpal Virdee, Economist at IHS Markit, said:

"August PMI data for Saudi Arabia revealed a stronger improvement in economic conditions and when combined with the relatively solid expansion seen in July, should help support a faster quarter-on-quarter expansion for the third quarter of 2019.

"A bright spot was a quickening of both output and overall new order growth, which outweighed weaker job creation and helped improve overall business conditions at a faster rate.

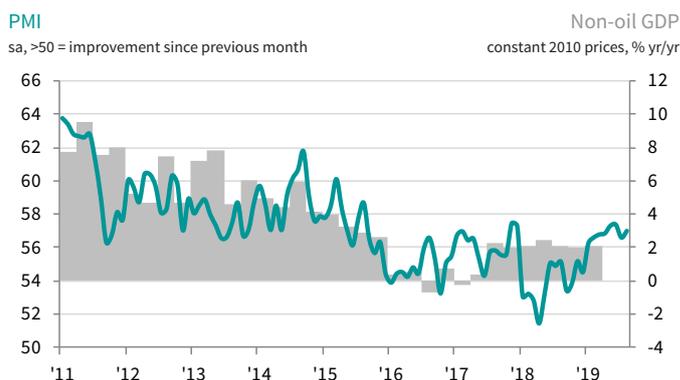
"Business margins were provided some relief with a welcome fall in input costs. Furthermore, the survey's forward-looking gauge, the Future Output Index, rose to a three-month high on the back of new product initiatives and positive forecasts for underlying demand."

strengthened in August, with the overall degree of optimism ticking up to a three-month high.

Less positively, latest data showed that firms operating in Saudi Arabia's non-oil economy remained reluctant to take on additional staff. Employment rose only fractionally and at the slowest pace since April.

Operating expenses fell for the fourth time in the past eight months, amid decreases in both average staff pay and purchasing costs. Average prices charged for goods and services rose at the fastest pace in three months in August. That said, the rate of increase was only marginal. According to panellists, output prices were raised in order to account for improvements in product quality.

Finally, August's survey indicated shorter lead times on purchased items, which anecdotal evidence attributed to successful requests for faster deliveries from suppliers.



Sources: IHS Markit, GaStat.

Contact

Amritpal Virdee
Economist
IHS Markit
T: +44 207 064 6460
amritpal.virdee@ihsmarkit.com

Joanna Vickers
Corporate Communications
IHS Markit
T: +44 207 260 2234
joanna.vickers@ihsmarkit.com

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.

August 2019 data were collected 12-21 August 2019.

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

Disclaimer

The intellectual property rights to the data provided herein are owned by or licensed to IHS Markit. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without IHS Markit's prior consent. IHS Markit 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 IHS Markit 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. IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates.

About IHS Markit

IHS Markit (NYSE: INFO) is a world leader in critical information, analytics and solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 business and government customers, including 80 percent of the Fortune Global 500 and the world's leading financial institutions.

IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates. All other company and product names may be trademarks of their respective owners © 2019 IHS Markit Ltd. All rights reserved.

If you prefer not to receive news releases from IHS Markit, please email joanna.vickers@ihsmarkit.com. To read our privacy policy, click [here](#).

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. To learn more go to ihsmarkit.com/products/pmi.html.