News Release

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IHS Markit Saudi Arabia PMI®

Weakest improvement in overall business conditions for nearly two years in February

Key findings

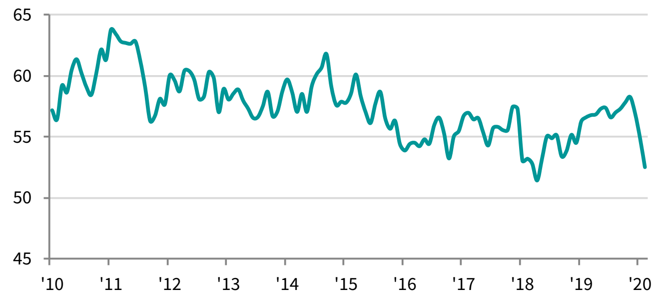
Saudi Arabia PMI at lowest level since April 2018

Sharp slowdown in output and new order growth

Business optimism drops to a one-and-a-half year low

Saudi Arabia PMI

sa, >50 = improvement since previous month



Source: IHS Markit.

February data pointed to more challenging business conditions across Saudi Arabia's non-oil private sector, with output, new orders and employment trends all losing momentum since the start of 2020.

Moreover, survey respondents indicated a moderation in their business confidence towards the year ahead outlook, with growth expectations the weakest since August 2018. A number of firms cited concerns about the global economic outlook, particularly in relation to China following the COVID-19 outbreak.

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 52.5 in February, down from 54.9 in January and the lowest since April 2018. That said, the headline index was still above the crucial 50.0 value that separates expansion from contraction.

The main factors weighing on the PMI were slower rates of output and new business growth across the non-oil private sector in February.

Higher levels of incoming new work have been recorded in each of the past 22 months, but the latest increase was the weakest seen over this period. Survey respondents often commented on subdued demand and the need to offer price discounts to stimulate sales. The main bright spot was a slight rebound in export orders, with new work from abroad rising for the first time in three months.

A lack of new sales enquiries led to receding pressure on

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Comment

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

"The latest survey data highlights a sharp loss of momentum since the start of 2020, with overall business conditions improving at the slowest pace for almost two years.

"New order growth continued to weaken despite efforts to stimulate sales through price discounting, which led to the weakest rise in non-oil private sector output since the survey began in August 2009.

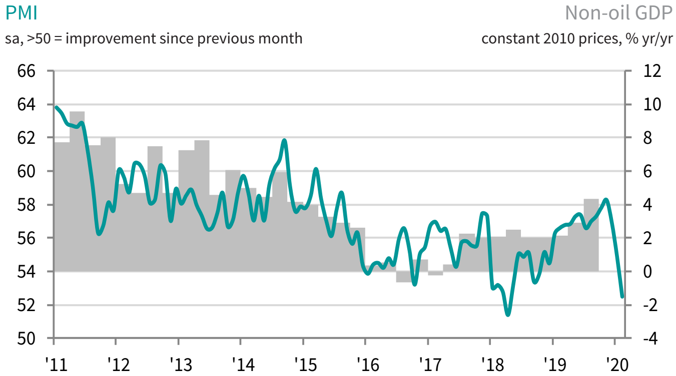
"February data revealed additional challenges from international supply chain disruptions following the COVID-19 outbreak in China, with firms seeking to build up inventories and source alternative suppliers of critical components. As a result, survey respondents indicated longer lead times for the delivery of raw materials and the sharpest rise in purchasing costs for almost one-and-a-half years."

business capacity, as signalled by the sharpest drop in backlogs of work since September 2011. As a result, the latest overall expansion of non-oil private sector business activity was only modest and the weakest seen since the survey began in August 2009. Slower rates of output growth have now been recorded in three of the past four months.

Non-oil private sector firms became more cautious about their staff hiring in February, largely in response to weaker business activity growth. Latest data indicated no change in overall payroll numbers, which ended a ten-month period of sustained job creation.

Average prices charged by non-oil private sector companies decreased slightly in February, with the rate of discounting the fastest seen since April 2019. At the same time, operating margins were squeezed by the sharpest increase in purchasing costs for almost one-and-a-half years. In some instances, survey respondents noted that efforts to source components from outside mainland China had pushed up their average cost burdens.

Stocks of inputs were accumulated at a robust and accelerated pace in February. Some firms noted deliberate inventory building in response to concerns about international supply chain disruption following extended production stoppages in China. Although only marginal, latest data signalled the sharpest lengthening of suppliers' delivery times since the survey began in August 2009.



Sources: IHS Markit, GaStat.

Contact

Tim Moore
Economics Associate Director
IHS Markit
T: +44 1491 461067
tim.moore@ihsmarkit.com

Katherine Smith
Public Relations
IHS Markit
T: +1 781-301-9311
katherine.smith@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.

February data were collected 12-20 February 2020.

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

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.

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.

ihsmarkit.com/products/pmi.html.