

IHS Markit Saudi Arabia PMI®

Business activity growth picks up in April

Key findings

Output rises at fastest rate since January, as new order growth strengthens

Business expectations drop to ten-month low

Employment increases to greatest extent since late-2019

Data were collected 12-22 April 2021.

The latest PMI survey data indicated an acceleration in growth across the Saudi Arabian non-oil private sector in April. Business activity rose at the sharpest rate for three months, as new sales increased markedly. Moreover, firms expanded staff numbers for the first time in five months and to the greatest extent since November 2019.

Despite this, the outlook for future activity dampened and was the weakest since last June, as hopes of easing COVID-19 measures were partly offset by concerns about the impact of international travel restrictions. In addition, cost inflationary pressures quickened amid raw material shortages and rising freight charges.

The headline seasonally adjusted IHS Markit Saudi Arabia Purchasing Managers' Index™ (PMI) rose to a three-month high of 55.2 in April, up from 53.3 in March, to indicate a marked improvement in business conditions in the non-oil private sector economy. Growth has now been recorded in each month since September 2020.

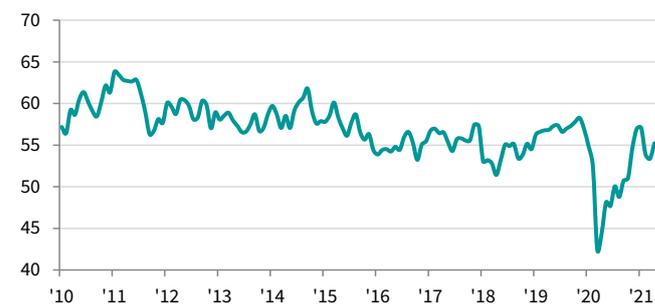
Nearly a quarter (24%) of surveyed firms found that output had risen over the latest survey period. The expansion was underpinned by a sharp rise in new orders, with demand growth picking up for the first time this year so far amid expectations of an easing of COVID-19 measures. Firms were also helped by renewed growth in export sales that was linked to strengthening demand from Asia.

Meanwhile, the level of private sector employment in Saudi Arabia increased for the first time in five months in April. Furthermore, the rate of job creation was the sharpest since late-

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 Saudi Arabia PMI rebounded in April to indicate a strengthening of growth across the non-oil economy. New orders picked up at the quickest rate for three months as business conditions continued to recover from COVID-19. The rise helped lead to a renewed uplift in employment, with the pace of increase the fastest since November 2019.

"Despite a boost to demand, the business outlook weakened from March as fewer respondents projected that output would grow in the coming 12 months. Current concerns among businesses included a possible further wave of COVID-19 that could exacerbate issues with foreign travel."

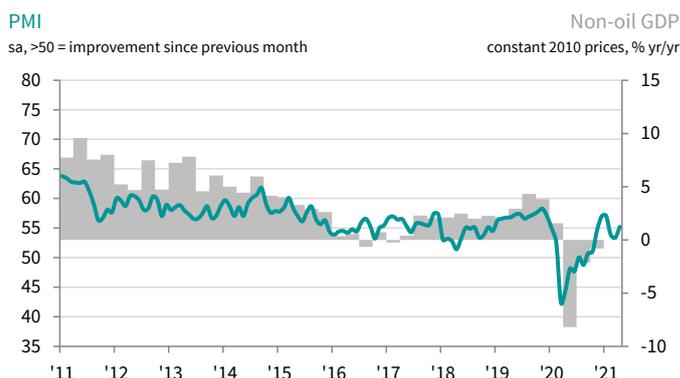
2019. Efforts to boost capacity also helped to reduce backlogs, albeit at the slowest rate since last September.

Faster new business growth contributed to a sharp rise in input purchases during April, with the rate of expansion quickening to a three-month high. Subsequently, stocks of purchases were built up at the most marked rate for almost a year-and-a-half, as firms increased holdings in anticipation of a further strengthening in client demand.

Despite problems with the arrival of inputs at some companies due to global supply chain issues, average vendor performance improved for the third time in four months. Firms reportedly that an easing of COVID-19 restrictions had allowed local suppliers to increase their capacity.

Nevertheless, global supply problems contributed to a marked rise in freight charges during April, which was exacerbated by increasing oil prices. There was also an uptick in raw material prices which helped lead to a quicker rise in overall input costs compared to March. A number of firms passed these costs onto clients through a renewed increase in output charges.

The outlook for future activity dampened again in April, with the degree of positive sentiment easing further from the peak seen in December 2020. Panellists often noted concerns about the strength of the economic recovery from COVID-19 and the pandemic's impact on tourism activity.



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 12-22 April 2021.

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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