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## IHS Markit Saudi Arabia PMI®

### Slowest improvement in non-oil business conditions since December 2018

#### Key findings

Saudi Arabia PMI drops to 13-month low

Weaker rates of new business growth and job creation

Business outlook softens in January

January data signalled an overall improvement in business conditions across Saudi Arabia's non-oil private sector, but the latest upturn was the slowest for just over one year.

This was signalled by a decline in 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 – to 54.9 in January, from 56.9 in December.

Growth momentum has now moderated in each of the past two months, with the latest slowdown largely reflecting a weaker contribution from the new orders component of the PMI.

Survey respondents noted that strong competition and more cautious spending patterns among customers had held back new business growth at the start of 2020. Moreover, export sales dipped slightly across the non-oil private sector, reflecting relatively subdued business conditions in key overseas markets.

Business activity increased in January, but the rate of expansion was similar to the 14-month low seen during December.

A number of firms commented on a lack of pressure on business capacity amid softer overall new order growth at the start of the year. As a result, employment numbers rose only slightly, with the pace of job creation the weakest since August 2019.

Meanwhile, input buying increased at the slowest rate for 12 months in January as non-oil companies adjusted to softer new business growth. Mirroring the trend for purchasing, latest data also revealed a weaker degree of inventory accumulation. The latest rise in stocks of inputs was the least marked since August 2019.

*continued...*

Saudi Arabia PMI

sa, >50 = improvement since previous month



Source: IHS Markit.

#### Comment

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

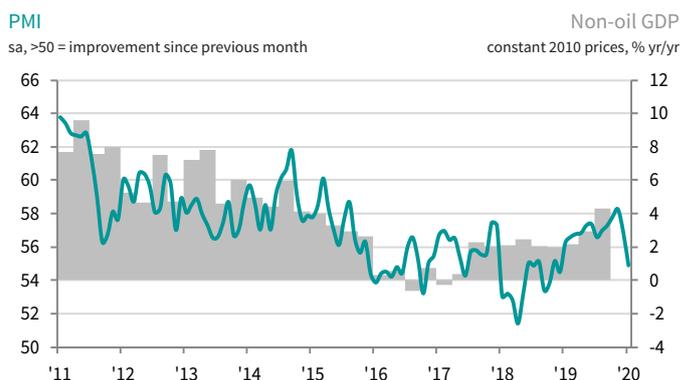
*"January data suggested that non-oil private sector companies remained in expansion mode. However, business activity was again constrained by a slowdown in new order growth. The latest rise in sales volumes was the softest recorded for 13 months."*

*"Non-oil firms in Saudi Arabia are optimistic about the business outlook for 2020, but levels of confidence have dropped since December, which acted as a brake on staff hiring and input buying at the start of the year."*

On the prices front, average cost burdens were broadly stable in January. A marginal increase in purchasing prices was offset by subdued wage pressures during the latest survey period.

At the same time, prices charged by non-oil private sector companies increased only slightly. Survey respondents noted that subdued cost pressures and greater competition for new work had acted to restrain their pricing strategies at the start of 2020.

Looking ahead, businesses remain confident about their growth prospects in the coming 12 months. However, the degree of positive sentiment slipped from that seen in December and was the lowest for almost one-and-a-half years.



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.

January data were collected 13-23 January 2020.

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. To learn more go to [ihsmarkit.com/products/pmi.html](https://ihsmarkit.com/products/pmi.html).