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## IHS Markit Saudi Arabia PMI®

### PMI drops sharply to nine-month low in December

#### Key findings

Sales growth weakens considerably amid Omicron concerns

Input prices rise at fastest pace since June

Confidence slips to 18-month low

Data were collected 6-15 December 2021.

Saudi Arabian non-oil firms registered a marked slowdown in growth at the end of the year, as concerns about the Omicron COVID-19 variant hit customer demand and business confidence, according to the latest PMI figures. Output levels rose at the softest rate since August, whilst a sharp slowdown in new order growth led to lower backlogs and subdued hiring activity. Price pressures on raw materials and other inputs meanwhile drove the fastest rise in overall costs since June. Consequently, the outlook for future activity weakened to an 18-month low.

The headline seasonally adjusted IHS Markit Saudi Arabia Purchasing Managers' Index™ (PMI) dropped three points from 56.9 in November to 53.9 in December. The reading was the lowest since March, but still indicated a solid improvement in operating conditions across the non-oil private sector economy.

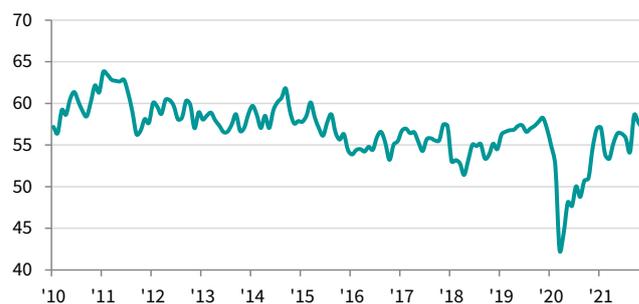
The three-point drop was mainly driven by the New Orders sub-index, which also fell to a nine-month low in December. The signalled rise in new business was sharp, but nevertheless much softer than those seen in recent months. Several panellists suggested that concerns about the spread of the new Omicron variant had impacted customer spending and led some firms to withhold orders. In addition, new business from abroad rose modestly and at the weakest rate since April.

Subsequently, output levels expanded to the least extent since August, albeit at a still relatively marked pace. The slowdown in demand growth also meant that more firms had time to complete orders, leading to a faster decrease in outstanding work. With capacity remaining sufficient to deal with workloads,

*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 ended the year on a dull note, as it registered its lowest reading for nine months due to concerns about the global spread of the Omicron variant leading to a marked slowdown in new business growth."*

*"Of the four broad sectors covered by the survey, the latest data pointed to particularly sharp slowdowns in new order growth across manufacturing and services, as panellists often commented on cancelled bookings and weaker client demand. Meanwhile, new business from abroad rose at the weakest rate since April."*

*"The slower pace of economic recovery prompted firms to give a weaker projection for future output, with confidence slipping to an 18-month low. Alongside the Omicron variant, faster inflation and strong competition were also mentioned by companies with a downbeat outlook."*

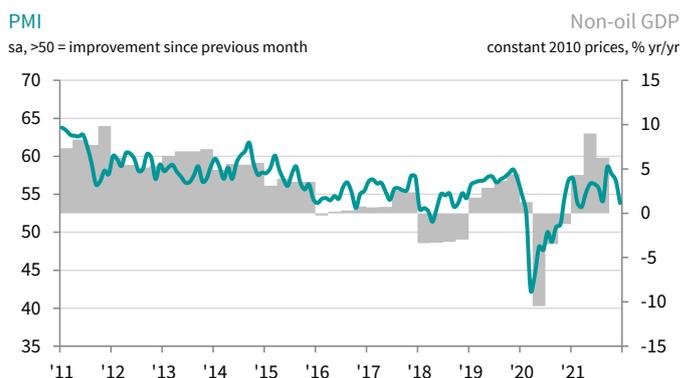
the pace of job creation softened to a four-month low and was fractional.

By contrast, efforts to expand purchasing activity were extended in December, as input buying rose at a similarly sharp pace to those seen in October and November. Stocks of inputs meanwhile rose at the strongest rate since May, as firms reported that purchases were delivered more quickly by vendors in response to their requests.

The latest survey data also pointed to a solid uptick in input prices across the non-oil economy, which firms again linked to higher raw material prices and transport costs. The rate of inflation accelerated to the highest since June and was solid.

Firms seeing a rise in costs often increased their selling prices in response, leading to a further solid uptick in average prices charged. This was in spite of reports that strong competition had led a number of businesses to offer discounts.

Looking ahead, fears of a further wave of COVID-19 in Saudi Arabia contributed to a deterioration in the 12-month outlook for business activity. The degree of confidence was the lowest seen for a year-and-a-half, with companies only reporting weaker sentiment during the first wave of the pandemic. Just 8% of firms were hopeful that output will increase in 2022, with optimism linked to expectations of higher demand and new product releases.



Sources: IHS Markit, GaStat.

## Contact

David Owen  
Economist  
IHS Markit  
T: +44 1491 461 002  
[david.owen@ihsmarkit.com](mailto:david.owen@ihsmarkit.com)

Joanna Vickers  
Corporate Communications  
IHS Markit  
T: +44 2072 602 234  
[joanna.vickers@ihsmarkit.com](mailto: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.

Data were collected 6-15 December 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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