

## IHS Markit Saudi Arabia PMI®

### New business growth quickens to five-month high

#### Key findings

New orders rise at robust pace

Output continues to expand sharply

Fastest rise in employment since November 2019

Data were collected 11-22 June 2021.

The latest PMI™ survey data pointed to another steep improvement in the health of the Saudi Arabian non-oil private sector in June, as business activity was bolstered by a sharp upturn in new orders that was the fastest seen since January. Employment also continued to rise, with the rate of job creation accelerating to a 19-month high amid strengthening hopes for future output growth.

Input prices rose solidly again in June, although there were some signs that inflationary pressures may have peaked. At the same time, discounts linked to strong competition meant that output prices increased only marginally overall.

The headline seasonally adjusted IHS Markit Saudi Arabia Purchasing Managers' Index™ (PMI) posted 56.4 for the second month running in June, to indicate a robust expansion in the non-oil private sector economy. Business conditions have now improved in each of the last ten months as the sector recovers from the impact of the COVID-19 pandemic.

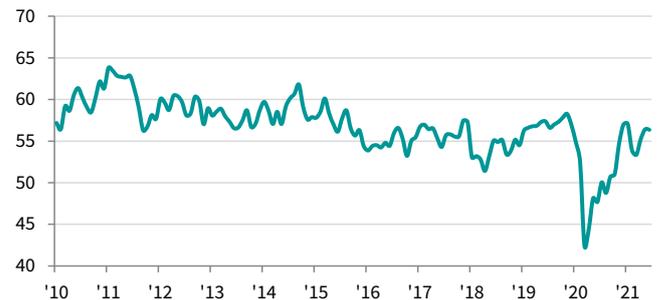
There were conflicting movements in the PMI sub-components in the latest survey period, with the New Orders Index offering the strongest upward influence as it rose to a five-month high. This countered a fall in the Output Index for the first time since March.

New business inflows continued to rise sharply in June, which panellists firmly linked to an improvement in demand conditions as COVID-19 restrictions were eased. While foreign orders rose strongly, overall demand growth was largely led by

*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:

*"Demand growth in the Saudi Arabian non-oil sector ramped up again in June, with the latest data signalling the strongest rise in sales since January. The rollout of COVID-19 vaccines and easing of restrictions also helped to lift confidence for future activity to a five-month high, as firms hope that the economic recovery will accelerate over the second half of the year."*

*"It was also encouraging to see a slight easing in overall input price inflation for the first time in 2021-to-date, despite reports of demand pressure on several inputs. This may be attributed to the relative strength of domestic supply chains, which have not yet been affected by global supply difficulties."*

*"Employment numbers meanwhile rose at the quickest pace since November 2019, although job creation was still only marginal and lagged well behind the rate of new order growth. Further increases in sales should encourage firms to expand their workforces, particularly as the outlook for future business conditions looks promising."*

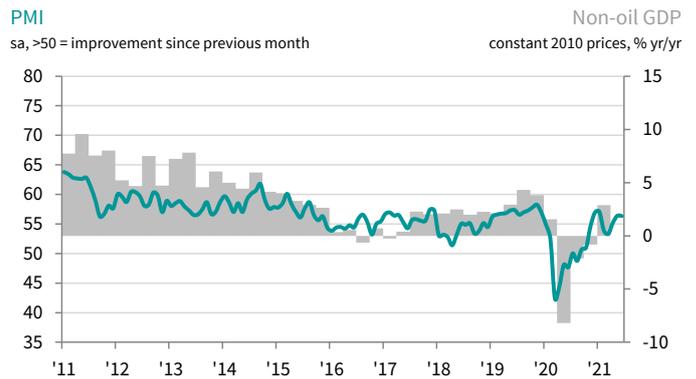
an uplift in domestic sales.

This resulted in another steep increase in output levels, although the rate of expansion eased from May's 41-month high. Greater amounts of new work also led to a rise in workforce numbers as firms looked to build their capacity. Notably, the rate of job creation accelerated to the fastest since November 2019 but was only modest overall.

Input buying was also up sharply at the end of the second quarter, with the rate of growth quickening to a 21-month high. Firms highlighted the need to stock up on inputs as new orders intensify and to protect against future price rises. Despite higher purchases, inventories grew at a much slower rate as some companies were forced to use existing stocks to fulfil orders. Vendor performance improved for a third month running, albeit only modestly and to a lesser extent compared to May.

Latest survey data pointed to a solid increase in purchasing costs in June amid rising demand for inputs and supply shortages. Nevertheless, the rate of overall input price inflation softened for the first time in 2021-to-date. While firms generally passed on higher costs to their clients, output charges rose only slightly overall as competitive pressures led some firms to offer discounts.

Finally, business confidence improved to a five-month high amid expectations of a further relaxation of COVID-19 measures, which firms hope will boost client demand and output.



## Contact

David Owen  
Economist  
IHS Markit  
T: +44 2070 646 237  
[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 11-22 June 2021.

For further information on the PMI survey methodology, please contact [economics@ihsmarkit.com](mailto: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 © 2021 IHS Markit Ltd. All rights reserved.

If you prefer not to receive news releases from IHS Markit, please email [joanna.vickers@ihsmarkit.com](mailto: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.

[ihsmarkit.com/products/pmi.html](https://ihsmarkit.com/products/pmi.html)