

## IHS Markit Saudi Arabia PMI®

### Business conditions improve at fastest pace since August 2015

#### Key findings

Activity growth at 22-month high

New business rises at quickest pace since June

Output prices fall for second time in the past five months

Saudi Arabia's non-oil private sector entered the final quarter of the year on a stronger footing, with business conditions improving at the fastest pace since August 2015. Output and new order growth quickened in October, with the latter rising at the sharpest rate since June.

On the price front, average selling prices declined for the second time in the past five months, as firms sought to stimulate additional customer orders.

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 – rose to 57.8 in October from 57.3 in September. The index was the highest since August 2015 and signalled a sustained improvement in growth momentum.

The upturn in business conditions seen in October was led by a steep and accelerated increase in new business - the sharpest seen since June. Export sales also rose, though at a slower pace, indicating that the main impetus continued to come from the domestic market.

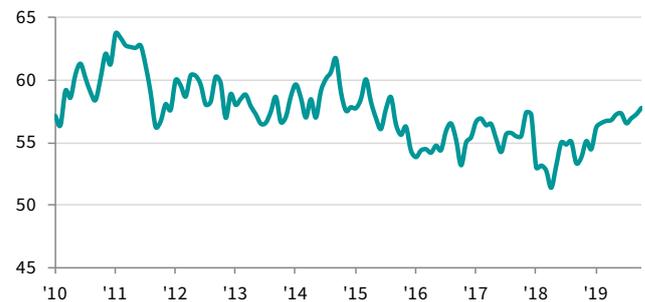
Increased demand resulted in higher overall output in October, with the rate of growth accelerating for the third month in a row to the highest since December 2017.

October also saw a sharp increase in purchasing activity as firms looked to bring their buying levels into line with higher output requirements and build up inventories. Businesses that raised their stocks of purchases also commented on an expected uplift in activity in the coming months.

*continued...*

Saudi Arabia PMI

sa, >50 = improvement since previous month



Source: IHS Markit.

#### Comment

*Commenting on the latest survey results, Amritpal Virdee, Economist at IHS Markit, said:*

*"Growth momentum continued to build during October, with the headline PMI posting its highest figure since August 2015. Output and new orders expanded at faster rates, mostly driven by domestic sales.*

*"There were also signs of export conditions becoming more supportive, with panellists stating that they had seen an overall improvement in foreign demand conditions.*

*"However, employment growth was marginal and slowed from September, as firms remained cautious about taking on additional staff.*

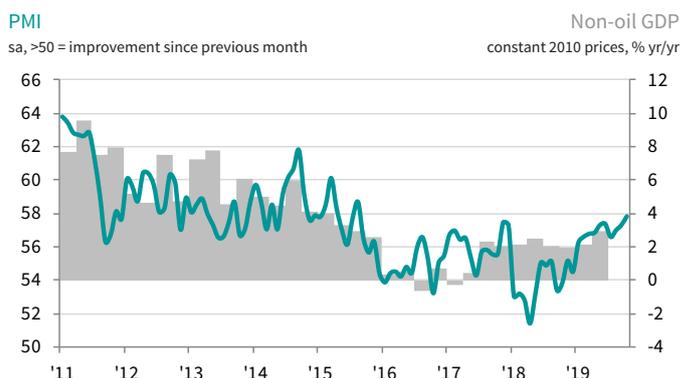
*"At current levels, the PMI is indicative of GDP expanding at an annual rate of around 4%, which would be a notable acceleration in growth from the start of 2019."*

Confidence towards year-ahead outlook for activity ticked up in October, with around 39% of panellists expecting an increase in output over the coming 12 months. Forecasts of greater sales were cited as the principal reason to be optimistic by firms.

Less positively, latest data showed that firms operating in Saudi Arabia's non-oil economy remained reluctant to take on additional staff. Employment rose only modestly and at a slower pace than in September. According to anecdotal evidence, extra staff were recruited in order to fulfil company expansion plans.

Firms' overall operating expenses were little changed in October as a slight rise in purchasing costs was offset by a marginal fall in average staff pay. Prices charged for goods and services fell for the second time in the past five months during October, with the rate of contraction the fastest since April. Anecdotal evidence attributed the fall in output charges to attempts by firms to stimulate additional customer orders.

Finally, October's survey indicated shorter lead times on purchased items, which anecdotal evidence attributed to successful negotiations with suppliers for faster deliveries.



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.

October 2019 data were collected 11-23 October 2019.

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).