

IHS Markit Saudi Arabia PMI®

Output growth accelerates to 15-month high in January

Key findings

Output and new business expand sharply

Strongest rise in export orders for almost four years

Hiring activity remains stagnant as some firms signal excess capacity

Data were collected 12-21 January 2021.

Growth in the Saudi Arabian non-oil economy remained strong over the first month of 2021, as business activity soared amid rising new work levels and a faster upturn in export sales. The expansion drove a sharp increase in purchasing activity, but employment continued to fall as some businesses saw capacity exceed prevailing demand. With coronavirus disease 2019 (COVID-19) vaccines being rolled out, firms also remained hopeful of a substantial economic recovery over the coming year.

The headline seasonally adjusted IHS Markit Saudi Arabia Purchasing Managers' Index™ (PMI) posted 57.1 in January, up fractionally from 57.0 in December, to record its highest reading since November 2019 and signal a marked improvement in business conditions across the non-oil private sector economy.

The headline index was lifted by a faster expansion in output levels at the start of the year, and one that was the sharpest recorded for 15 months. Moreover, the rate of output growth was broadly consistent with the trend seen over the survey's 11-year history, as the economy recovered further from the COVID-19 outbreak.

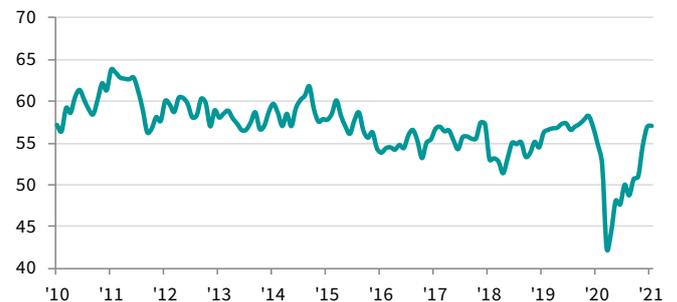
The expansion in business activity was helped by a sharp rise in new orders during January, despite the pace of growth easing slightly from December's recent high. Improving market conditions, rising online sales and greater export demand all supported the upturn. Notably, new orders from foreign clients rose to the greatest degree in almost four years.

Despite strong growth in both output and new work, staff hiring in Saudi Arabia's non-oil economy remained subdued,

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:

"Non-oil activity growth continued to accelerate in the new year, pointing to a further recovery in business conditions in Saudi Arabia after the impact of the COVID-19 pandemic. The country has been helped by low case numbers, while other parts of the world have suffered a spike in infections that risks derailing the upturn in the global economy."

"While client demand has soared in recent months, this has not fed through into rising employment numbers as January data signalled a slight reduction in workforces. Firms indicated that excess capacity was sufficient to deal with incoming work and reduce backlogs as well. The non-oil sector has also escaped the trends of weakening supply chains and rising cost inflation recorded elsewhere around the world."

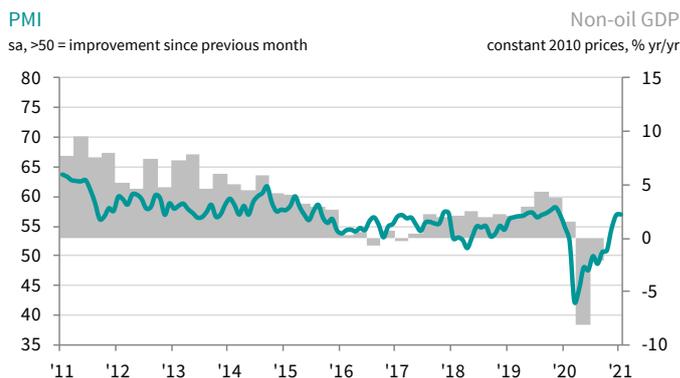
"Businesses meanwhile hope that the roll-out of COVID-19 vaccines will bring further growth in 2021 and improve output to pre-COVID levels. Around six times as many firms expect a rise in output over the next 12 months as those that forecast a decline."

as employment fell for the tenth time in 11 months. Panel members indicated that they still had excess capacity in spite of rising demand, as evidenced by another fall in outstanding workloads. That said, the latest reduction in backlogs was the softest since September 2020, with staff cuts also only marginal in January.

Rising new order intakes led to a faster increase in purchasing activity during January, with the rate of accumulation quickening to a 13-month high. As a result, stock building was again marked, although some firms mentioned delaying their orders as they looked to use up existing inventories. Improved capacity at suppliers meanwhile supported a reduction in overall delivery times for the first time since the beginning of 2020.

Cost pressures remained largely subdued in the latest survey period, as purchase prices ticked up only slightly and staff wages fell for the second month running. Where costs increased, panellists related this to higher raw material prices resulting from additional input demand. Firms subsequently passed on cost increases to their customers, as output charges also rose marginally.

Finally, business expectations for the forthcoming 12 months were upbeat in January, reflecting optimism for the global roll-out of COVID-19 vaccines and the predicted positive impact on the economic recovery. While the degree of optimism eased from December, it was still the second-strongest in a year.



Contact

David Owen
Economist
IHS Markit
T: +44 2070 646 237
david.owen@ihsmarkit.com

Katherine Smith
Public Relations
IHS Markit
T: +1 781-301-9311
katherine.smith@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 12-21 January 2021.

For further information on the PMI survey methodology, please contact 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 katherine.smith@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