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IHS Markit Saudi Arabia PMI®

Saudi Arabia PMI hits survey-record low amid emergency public health measures to halt spread of coronavirus

Key findings

Saudi Arabia PMI at its lowest since the survey began in August 2009

Steep declines in business activity and new orders

Staffing numbers fall only slightly in March

March data indicated that Saudi Arabia's non-oil private sector dropped at the fastest pace for more than a decade amid emergency measures to halt the spread of coronavirus. Survey respondents overwhelmingly linked lower activity to business closures and delays to projects amid the global public health crisis. The latest data were collected 12-23 March 2020.

At 42.4 in March, 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 – registered below the neutral 50.0 threshold for the first time since the survey began in August 2009. The PMI fell sharply from 52.5 in February and signalled the fastest downturn in business conditions for more than a decade.

Steep declines in business activity, new orders and stocks of purchases were the main factors weighing on the PMI in March. Meanwhile, the employment component was relatively resilient, with staffing numbers falling only fractionally in the latest survey period.

Non-oil private sector output decreased in March for the first time in more than ten years of data collection. Reports from survey respondents almost exclusively attributed the downturn to emergency public health measures as business operations were curtailed and projects placed on hold.

Where pockets of output growth were reported in March, this mainly reflected demand for essential goods and services, notably from the pharmaceuticals and healthcare sectors.

New business volumes and export sales also decreased at

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Saudi Arabia PMI

sa, >50 = improvement since previous month



Source: IHS Markit.

Comment

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

"The Saudi Arabia PMI hit a survey-record low amid emergency public health measures to halt spread of coronavirus in March.

"Output levels and incoming new work both fell at the fastest rate since the survey began in August 2009, but staffing levels dropped only slightly.

"The latest survey data were collected between 12-23 March and therefore signal a steep economic downturn even before the tightening of workplace and travel restrictions to contain the COVID-19 pandemic."

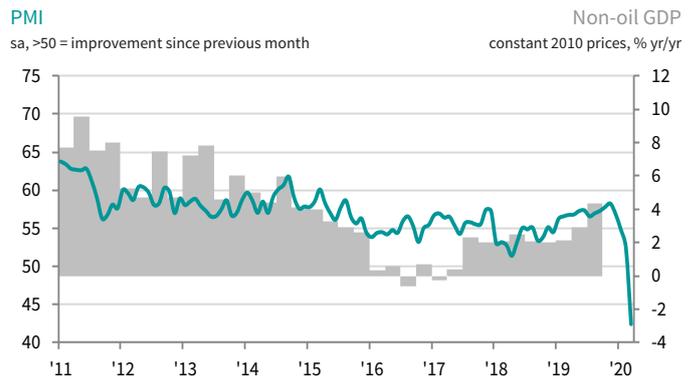
survey-record paces in March, with the latter reflecting the closure of international borders and subsequent bookings cancellations.

Rapid drops in business activity and new work weighed down on business optimism for the year ahead. This index was slightly above the neutral 50.0 value, but fell sharply since February to its lowest since comparable data were first collected in April 2012.

A number of firms commented on hopes that business activity will rebound after successful measures to stem the global health crisis. However, there were also widespread reports that weaker global economic conditions would have a long-term impact on business operations.

Staffing numbers dropped only slightly in March, which contrasted with the steep falls in output, new work and business confidence. That said, where a decline in employment was reported, this was often directly linked to company shutdowns during the latest survey period.

The prospect of an extended drop in business conditions was also highlighted by the backlogs of work index, which slumped since February to its lowest level since the survey began. Non-oil private sector firms widely commented that cancellations of new projects and stoppages of existing work had led to a marked fall in pressure on business capacity.



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.

March data were collected 12-23 March 2020.

For further information on the PMI survey methodology, please contact 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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