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IHS Markit Saudi Arabia PMI®

Faster new order growth helps non-oil private sector gain momentum in November

Key findings

Headline PMI climbs to 51-month high despite softer output growth

Inflows of new business rise at sharpest pace since April 2015

Job creation across non-oil private sector remains lacklustre

November saw a further improvement in the health of Saudi Arabia's non-oil private sector, with latest IHS Markit PMI data indicating a quickening of growth momentum. This was driven by the sharpest rise in new work since April 2015. Employment among non-oil private sector companies also rose in November, though the rate of job creation was marginal and subdued by historical standards.

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 – posted 58.3 in November, up from 57.8 in October and the highest in over four years.

Underpinning the positive PMI reading was a further increase in output. Though steep, the rate of expansion eased to the slowest in four months during November.

In contrast to the trend for output, inflows of total new business increased at a faster pace during November. The rate of growth was steep and the quickest since April 2015. This partly reflected a further pick-up in new export orders which increased at a sharper pace than in October (but still far more slowly than overall new business).

While the picture for new business improved, latest data showed that job creation across the non-oil private sector remained lacklustre. November's rise in employment was only marginal and unchanged from October's increase. This was consistent with a lack of pressure on business capacity, as referenced by work outstanding decreasing for the second time in the past

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:

"November's PMI data for Saudi Arabia revealed a stronger improvement in underlying economic conditions and, when coupled with the recent improvements in growth momentum, point to a faster rate of non-oil GDP expansion for the fourth quarter of 2019.

"A bright spot was a quickening of overall new order growth, which reached its fastest pace since April 2015. Stronger demand conditions helped outweigh continued weakness in job creation and slower output growth.

"Business margins were provided with some relief from a slower rise in input costs. Furthermore, output charges increased during November, reversing October's slight fall.

"Overall, the private sector economy is well-placed as we look forward to 2020, with the survey's forward-looking gauge, the Future Output Index rising to a nine-month high on the pace of new product initiatives and more positive forecasts for underlying demand"

continued...

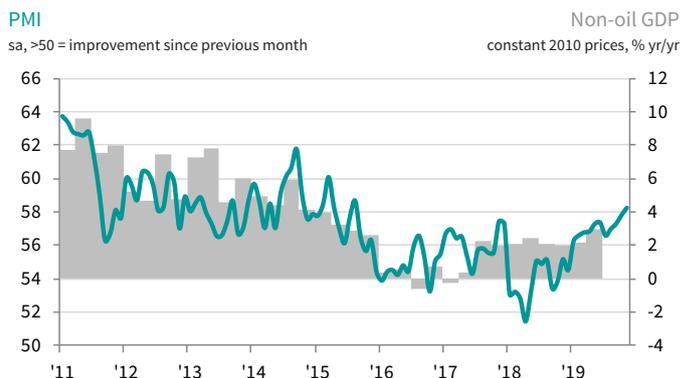
four months.

Firms across the non-oil private sector scaled up their purchasing activity to support increased output requirements according to reports from surveyed businesses. However, growth in buying levels eased to the slowest in three months.

Confidence among non-oil private sector firms towards future output remained strong in November, linked to positive forecasts of underlying economic conditions and plans for improved products. Moreover, the degree of optimism was the highest since April.

On the price front, latest data showed the third increase in charges for goods and services in the past four months. That said, the rise in selling prices was marginal. Overall input prices continued to increase in November, but the rate of inflation eased for the second month running and was subdued by historical standards.

Finally, November's survey indicated longer lead times on purchased items for the first time since July 2011, which anecdotal evidence attributed to insufficient stocks among suppliers.



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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.

November 2019 data were collected 12-21 November 2019.

For further information on the PMI survey methodology, please contact economics@ihsmarkit.com.

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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.