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## IHS Markit Saudi Arabia PMI®

# Business conditions improve at fastest pace in three months

### Key findings

Activity rises at quickest rate since December 2017

Employment growth at 18-month high

Input costs increase at fastest pace in one year

September data indicated the fastest improvement in business conditions across Saudi Arabia's non-oil private sector for three months, amid further increases in new business from both domestic and foreign markets. Moreover, output expanded at the fastest pace since December 2017, enabling firms to take on additional staff at the most marked rate in 18 months.

On the price front, input cost inflation was the sharpest in one year, amid increases in both purchasing prices and staff costs.

The headline seasonally adjusted 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 57.3 in September from 57.0 in August. The index was the highest in three months and indicated a sustained improvement in growth momentum.

Output across the non-oil private sector rose sharply and the most since December 2017, buoyed by stronger underlying demand conditions according to reports from surveyed businesses.

In contrast with the picture for output, inflows of new business increased at the slowest pace in nine months. However, the rate of expansion was still sharp.

The rate of growth of new export orders, meanwhile, quickened from August and was solid. Anecdotal evidence from panellists indicated that they had observed an overall improvement in foreign demand conditions during September.

Backlogs of work across the non-oil private sector increased for the first time since June during September. That said, the build-up in capacity pressures was marginal and slower than

*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:

"Output among non-oil private sector firms in Saudi Arabia grew at a sharp pace in September, with the rate of expansion quickening to the fastest since December 2017. At current levels, the PMI survey is consistent with year-on-year GDP growth of around 3% as we head into the final quarter of 2019"

"Moreover, non-oil private sector firms sought to add to their payrolls at the most marked pace in 18 months, buoyed by efforts to improve the quality of product offerings.

"October data will provide the first opportunity to gauge the impact of the recent attacks on the critical oil processing facilities in Abaqaiq and Khurais on the wider economy."

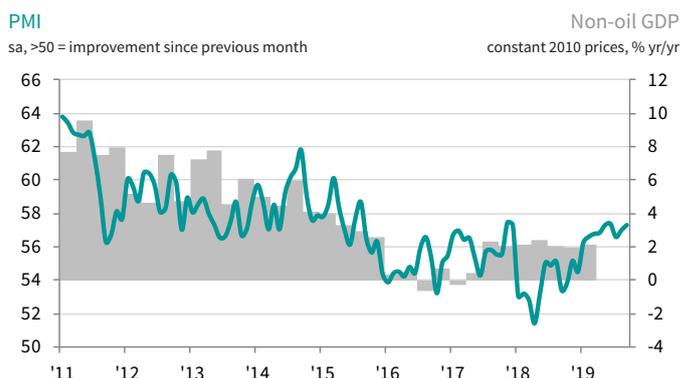
the long-run series average.

The non-oil private sector jobs market improved markedly during September. The rate of job creation was the fastest in 18 months. Some panellists stated that they had raised their headcounts in order to improve their product quality.

September saw a renewed monthly increase in average cost burdens faced by non-oil private sector businesses. The rate of input cost inflation was solid and the most marked in one year. The rise in operating expenses reflected greater staffing and purchasing costs.

Reflecting sharp new business growth, firms ramped up their input buying at a marked pace during September. Moreover, the rate of increase quickened to a four-month high.

Finally, business confidence towards future growth prospects was strongly optimistic during September, despite easing slightly from August. Just under 38% of respondents forecast greater business activity over the coming 12 months. Anecdotal evidence suggested that firms were optimistic towards the impact of forthcoming business investment and new project wins.



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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.

September 2019 data were collected 12-20 September 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).