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## IHS Markit Saudi Arabia PMI®

### Output growth strengthens to ten-month high

#### Key findings

Business activity rises sharply amid steep increase in sales

Employment numbers up for first time since January

Output charges and input costs rise at faster rates

Data were collected 12-20 November 2020.

November PMI survey data signalled an acceleration of output growth in the Saudi Arabian non-oil economy, driven by a steep rise in sales and strengthening business confidence as the impact of the coronavirus disease 2019 (COVID-19) pandemic continued to ease. Input purchasing rose, while employment returned to growth for the first time since January. Meanwhile, input cost inflation quickened, leading to a stronger increase in average output charges.

The headline IHS Markit Saudi Arabia PMI is a composite single-figure indicator of non-oil private sector performance. It is derived from indicators for new orders, output, employment, suppliers' delivery times and stocks of purchases. Any figure greater than 50.0 indicates overall improvement of the sector.

The headline seasonally adjusted IHS Markit Saudi Arabia Purchasing Managers' Index™ (PMI) picked up sharply from 51.0 in October to 54.7 in November, to signal the strongest improvement in business conditions since January. The index has now registered above the 50.0 no-change mark for three months in a row, highlighting a sustained recovery after the economic downturn due to COVID-19.

That said, the headline index remained below its long-run average, as was the case for key sub-components including output, new orders and employment. This suggested that, despite signs of a rebound in the non-oil private sector, there remains a notable gap between current and pre-COVID growth momentum.

Non-oil private sector output expanded at the fastest rate in ten months during November, as panellists highlighted an

*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:

*"A third successive rise in the Saudi Arabia PMI pointed to an economy getting back on its feet in November. Supported by output and new business growth reaching ten-month highs, the data suggests a strong end to the year for the non-oil private sector."*

*"However, most of the key series remain off their trend level, hinting at a continued gap between the economy's current conditions and its pre-COVID momentum."*

*"Notably, employment started to rise, while business confidence strengthened in the wake of encouraging vaccine news and sharper demand growth. As a result, there was evidence of firms raising investment in anticipation of an uplift in 2021 should the pandemic come to an end."*

improvement in market conditions and a steeper increase in new work. Both domestic and foreign sales rose on the month, marking only the second upturn in new export orders since February.

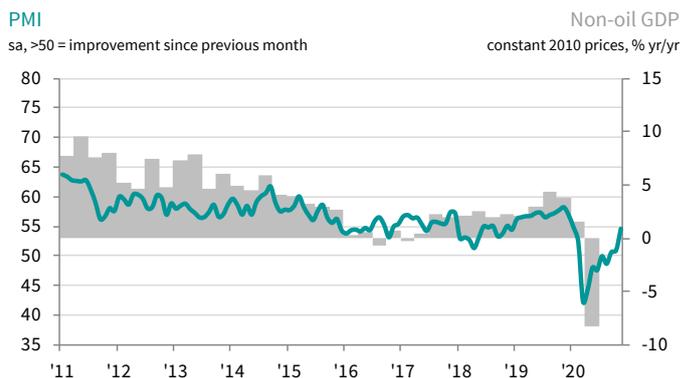
Business confidence towards the year ahead also improved notably in November, rising to the highest seen for ten months. In particular, firms were encouraged by easing lockdown measures and news about effective vaccines. Consequently, there were reports of higher private sector investment and concerted efforts to raise inventories.

Accelerated rises in both output and new orders led Saudi Arabian firms to sharply expand purchasing activity during November. This marked only the second rise in input buying since February.

In addition, hiring activity turned positive for the first time since January, albeit only fractionally overall. A number of companies linked increased employment to rising demand, despite a further modest drop in outstanding work.

On the negative side, some firms delayed payments to suppliers as cash flow remained weak, driving a further lengthening of delivery times. This coincided with additional reports of low raw material supply, which led to increased cost pressures. The rate of input price inflation ticked up from October and was one of the sharpest seen in the last five years.

Subsequently, there was a renewed rise in output charges, only the third recorded since January. Moreover, the overall rate of inflation was the second-fastest since October 2014.



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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.

Data were collected 12-20 November 2020.

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.

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