

## IHS Markit Saudi Arabia PMI®

# Business activity expands at quickest pace since December 2017

### Key findings

Output and new business continue to surge upwards

Job creation still only marginal

Inventories grow at quickest rate in a year-and-a-half

Data were collected 4-20 May 2021.

Saudi Arabian non-oil output increased at a rapid pace in May, according to the latest PMI survey data, supported by a strong rise in new business and a notable uplift in export orders. As a result, firms built their inventories at the fastest rate for 18 months, but largely operated with existing workforces as backlogs continued to decline.

The headline seasonally adjusted IHS Markit Saudi Arabia Purchasing Managers' Index™ (PMI) rose for the second month in a row from 55.2 in April to 56.4 in May. The reading indicated a robust improvement in business conditions that was the fastest recorded since January.

A rise in the Output Index had the largest positive influence on the headline figure in May. The latest expansion in output was the quickest since December 2017, as 30% of surveyed businesses stated a rise in activity during the month.

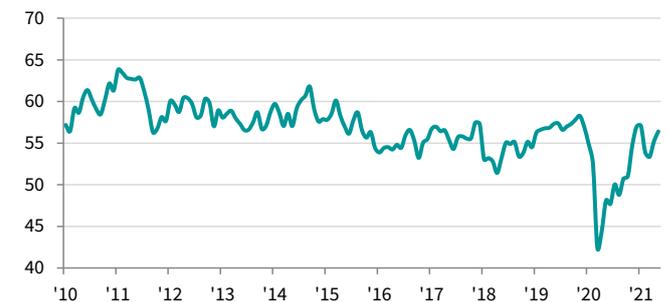
These firms often commented on a rise in customer orders as market conditions continued to improve following looser pandemic-related measures. Overall new orders rose sharply and at the quickest pace in four months. Notably, export orders rose to the greatest extent since the end of 2015 as global demand strengthened amid the roll-out of COVID-19 vaccines.

In response to strong demand, companies purchased more inputs for the eighth successive month in May, and the rate of growth quickened to a 17-month high. Suppliers were generally able to meet input demand and boost capacity, leading to a solid reduction in delivery times.

*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:

*"Saudi Arabia's non-oil sector continued to enjoy a strong recovery in May, led by a sharp rise in output that was the quickest since the end of 2017. Firms often cited growth in new business and a notable pick up in export sales."*

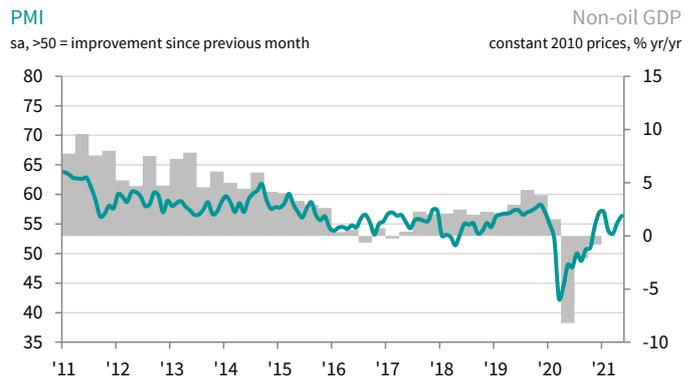
*"Most firms continued to operate with unchanged workforce numbers, suggesting a focus on boosting productivity back to pre-COVID levels. On the plus side, inventories were increased at the quickest pace in a year-and-a-half as firms prepare for a further recovery in demand over the coming months."*

In a sign that firms are expecting future new business growth, inventories of purchased items were expanded at the quickest pace for one-and-a-half years.

Adding to this, business activity expectations improved to the highest for three months in May, as firms were hopeful of a further recovery from the pandemic over the course of the upcoming year. That said, there was still some uncertainty about the future, with the degree of optimism remaining much weaker than the series trend.

Despite new orders increasing rapidly, there was little requirement for new staff during May. Job numbers increased for the second straight month, but the pace of expansion slowed from April and was only slight. A decline in backlogs provided additional evidence that firms still had spare capacity after the downturn in output last year.

Overall expenses faced by non-oil firms increased in May, with the rate of inflation quickening for a fourth month in a row. Rising purchase costs were largely behind the increase, as businesses noted that stronger demand and global supply shortages led to upwards pressure on raw material prices. Higher fuel and staff costs were also mentioned by some companies. As a result, output charges ticked up for the second month in a row.



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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 4-20 May 2021.

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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