



بنك الإمارات دبي الوطني  
Emirates NBD

Economics  
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Khatija Haque  
Head of MENA Research  
+971 4 230 7803  
khatijah@emiratesnbd.com

## Saudi Arabia: PMI at series low in October

The Emirates NBD Saudi Arabia Purchasing Managers' Index (PMI) declined to 53.2 in October from 55.3 in September, the lowest reading since the series began in 2009. However, the reading still indicated an expansion in the non-oil sector last month, albeit at a slower rate.

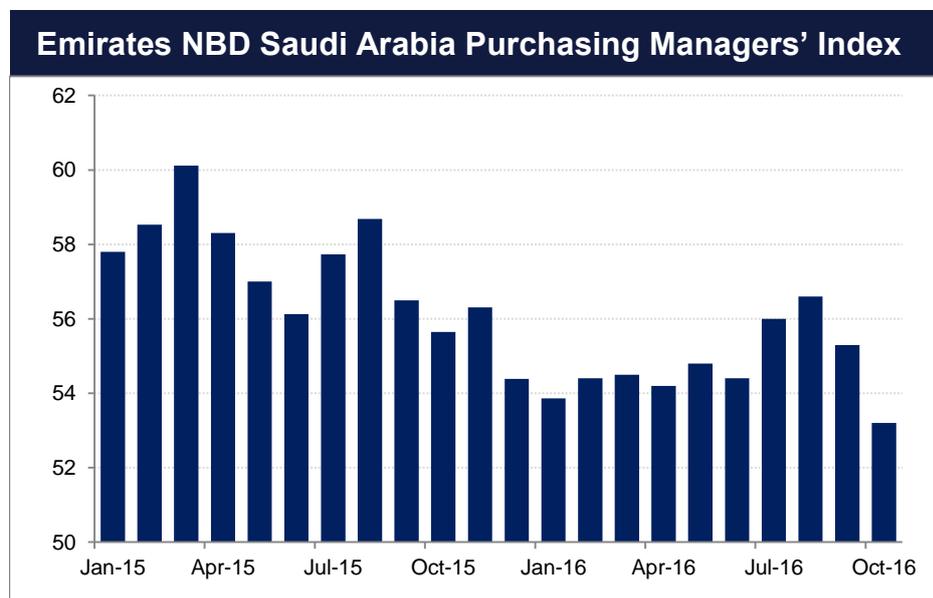
The biggest slowdown in October was in **output**, with this sub-index falling to 57.1 from 61.5 in September. **New order** growth was slower as well, at 54.8 compared with 56.5 in September. Both output and new orders expanded at the slowest rate on record last month. **Export orders** increased only slightly on average last month (50.8), contributing to lower overall new orders growth.

**Employment** was broadly unchanged in October, with the index at 50.6. **Backlogs of work** were also stable last month and **suppliers' delivery times** shortened, all of which points to excess capacity in the non-oil private sector. **Purchasing activity** remained relatively high at 57.9, only slightly softer than September.

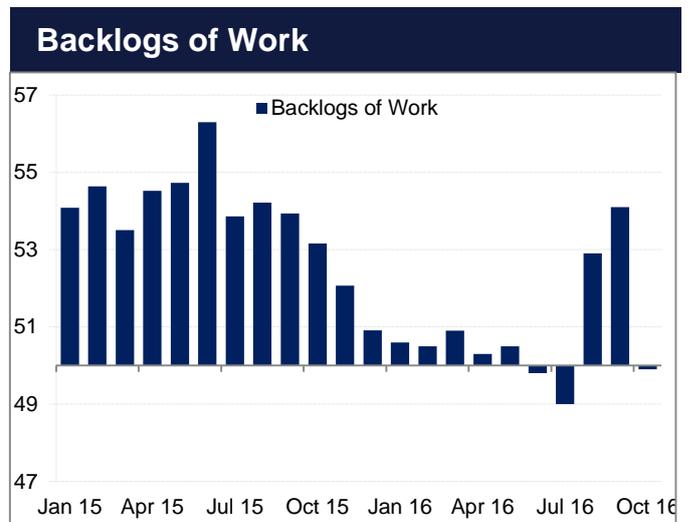
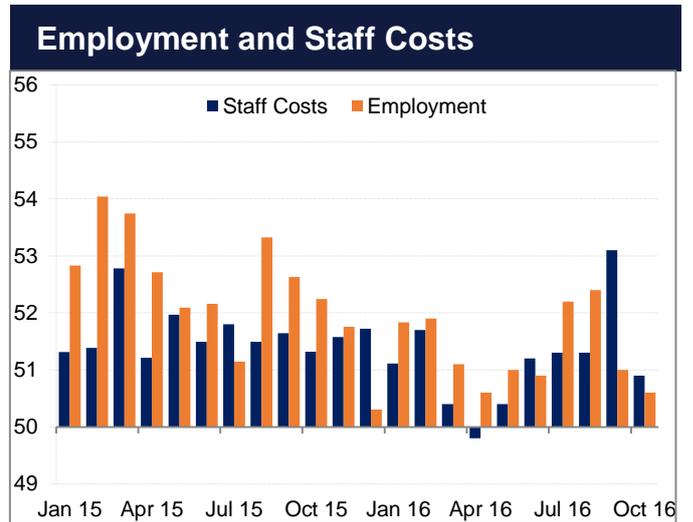
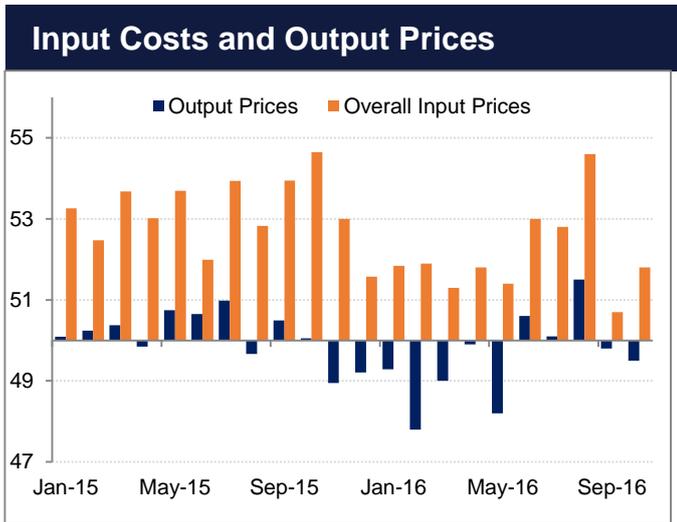
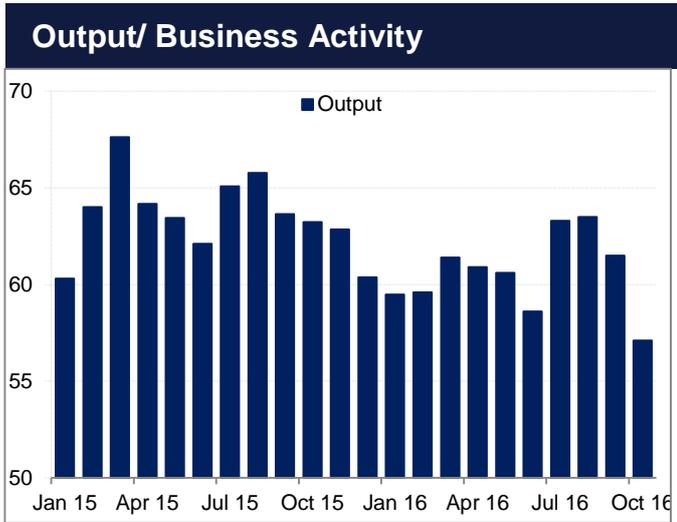
**Input cost** inflation picked up slightly in October but is relatively low compared with 2015. **Selling prices** were marginally lower for the second month in a row, with only 3% of firms indicating that they had cut prices in order to secure new work in a competitive environment. The majority of firms kept output prices unchanged last month.

Overall, the PMI survey for October suggests that growth in the non-oil sector has slowed at the start of Q4, after a relatively strong Q3. This is in line with our expectations (see last month's PMI note published on 5 October), and follows further fiscal tightening measures - including public sector wage cuts - announced at the start of last month.

The average PMI for the year-to-October 2016 is 54.7, well below the 57.3 average for 2015 and signaling a slowdown in non-oil sector growth this year. **The data supports our decision to revise down our GDP growth forecast for Saudi Arabia to 1.4% in 2016 from 1.9% previously.** We expect to see growth accelerate to 1.8% in 2017. (See MENA Quarterly published 17 October for more detail on forecast revisions).



Source: IHSMarkit, Emirates NBD Research



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## Emirates NBD Research & Treasury Contact List

**Emirates NBD Head Office**  
12th Floor  
Baniyas Road, Deira  
P.O.Box 777  
Dubai

**Jonathan Morris**  
General Manager Wholesale Banking  
JonathanM@emiratesnbd.com

**Aazar Ali Khwaja**  
Group Treasurer & EVP Global Markets &  
Treasury  
+971 4 609 3000  
aazark@emiratesnbd.com

**Tim Fox**  
Head of Research &  
Chief Economist  
+9714 230 7800  
timothyf@emiratesnbd.com

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### Research

**Khatija Haque**  
Head of MENA Research  
+9714 230 7803  
khatijah@emiratesnbd.com

**Jean Paul Pigat**  
Senior Economist  
+9714 230 7807  
jeanp@emiratesnbd.com

**Aditya Pugalia**  
Analyst  
+9714 230 7802  
adityap@emiratesnbd.com

**Anita Yadav**  
Head of Fixed Income Research  
+9714 230 7630  
anitay@emiratesnbd.com

**Athanasios Tsetsonis**  
Sector Economist  
+9714 230 7629  
athanasiost@emiratesnbd.com

**Edward Bell**  
Commodity Analyst  
+9714 230 7701  
edwardpb@emiratesnbd.com

**Mohammed Al-Tajir**  
Research Analyst  
+9714 609 3005  
mohammedtaj@emiratesnbd.com

**Shady Shafer Elborno**  
Head of Macro Strategy  
+9714 2012300  
shadyb@emiratesnbd.com

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### Sales & Structuring

**Group Head – Treasury Sales**  
Tariq Chaudhary  
+971 4 230 7777  
tariqmc@emiratesnbd.com

**Saudi Arabia Sales**  
Numair Attiyah  
+966 11 282 5656  
numaira@emiratesnbd.com

**Singapore Sales**  
Supriyakumar Sakhalkar  
+65 65785 627  
supriyakumars@emiratesnbd.com

**London Sales**  
James Symington  
+44 (0) 20 7838 2240  
james@emiratesnbd.com

**Egypt**  
Gary Boon  
+20 22 726 5040  
garyboon@emiratesnbd.com

---

### Group Corporate Affairs

**Ibrahim Sowaidan**  
+9714 609 4113  
ibrahims@emiratesnbd.com

**Claire Andrea**  
+9714 609 4143  
clairea@emiratesnbd.com

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### Investor Relations

**Patrick Clerkin**  
+9714 230 7805  
patricke@emiratesnbd.com

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