



بنك الإمارات دبي الوطني
Emirates NBD

Economics
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Saudi Arabia PMI rises to 18m high in February

The Emirates NBD Saudi Arabia Purchasing Managers' Index (PMI) rose to 57.0 in February from 56.7 in January, the highest reading since August 2015. Both output and new orders rose sharply last month, although the output index was marginally lower in February (63.8). New order growth accelerated at the fastest rate in a year-and-a-half, supported by higher new export orders. However, firms also cited new projects, promotional activity and stronger underlying demand as reasons for the stronger growth in new work last month.

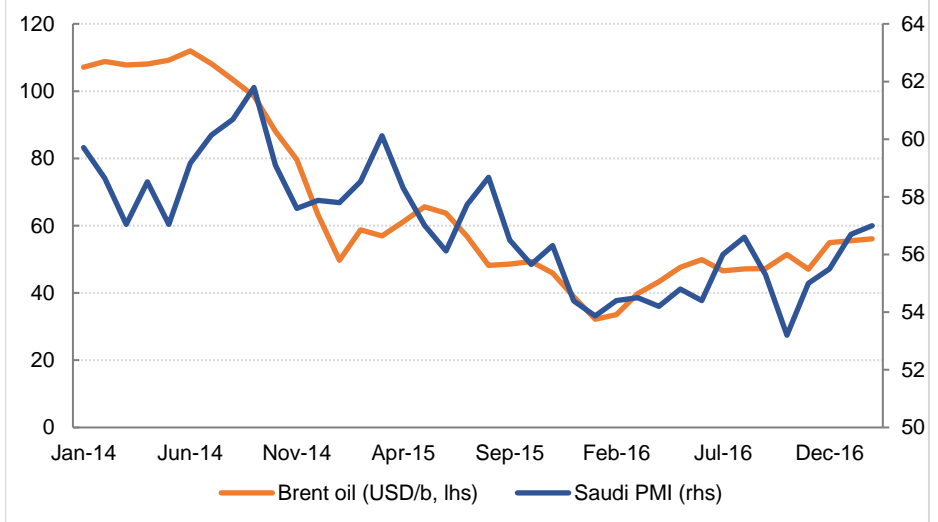
However, as in the UAE, the strong rise in output and new work was not reflected in faster job creation last month. The **employment** index was close to the neutral level at 50.3 in February, marginally lower than January's reading. Perhaps unsurprisingly given the strong rise in demand combined with weak jobs growth, **backlogs of work** increased at the fastest rate since May 2015.

Producer price inflation increased in February, with overall **input costs** rising at a faster rate than in January, largely due to higher product purchase costs as staff costs were contained. However, firms were able to pass on some of these higher costs to buyers, with **selling prices** rising at the fastest rate since August. Nevertheless, the average rise in selling prices was modest overall, with this index at 51.3.

Purchasing activity remained very strong in February on the back of faster output growth and relatively high optimism about the coming twelve months. The **business optimism** index eased slightly to 63.3 in February, but remains near a six-month high. Inventories rose again in February but at a slightly slower rate than in January.

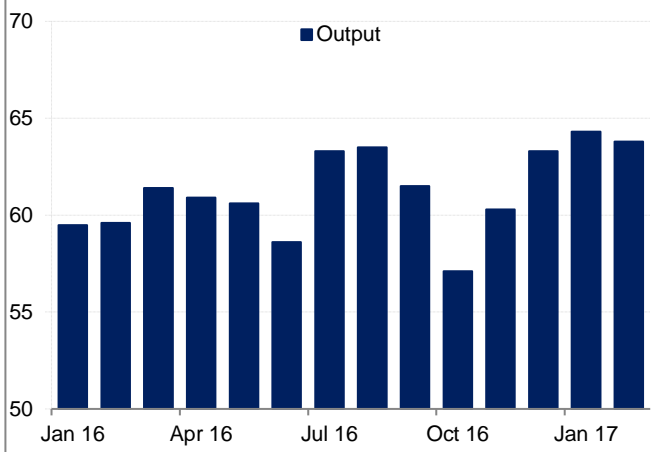
The PMI surveys in January and February suggest that **private sector activity/growth has accelerated at the start of 2017**. We attribute this to improved sentiment on the back of higher oil prices (particularly compared with January-February 2016 when oil prices fell below USD 30/b), improved liquidity in the financial system and the payment of arrears by government to the corporate sector. Nevertheless, 2017 is likely to remain a challenging year, with households expected to face further cuts to energy subsidies and low wage growth. Provided oil prices remain around current levels however, we expect overall GDP growth to improve slightly compared to 2016.

Emirates NBD Saudi Arabia Purchasing Managers' Index

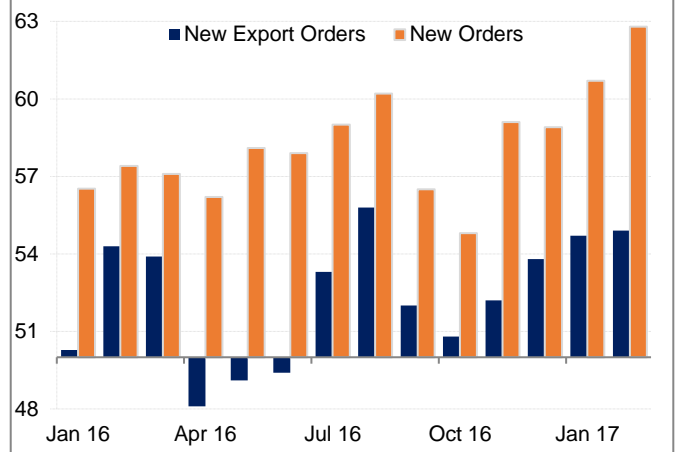


Source: IHS Markit, Emirates NBD Research

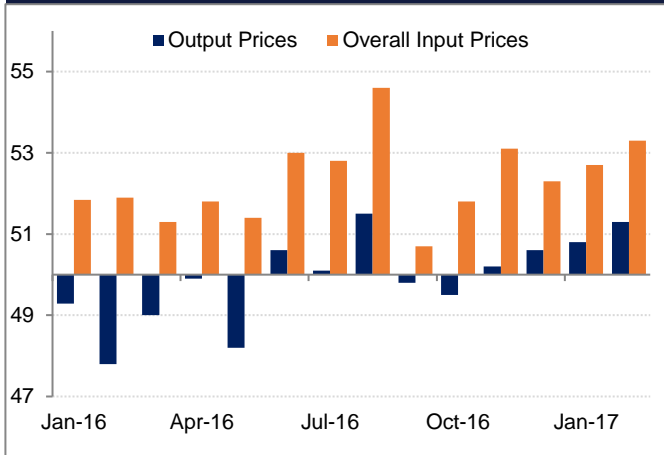
Output/ Business Activity



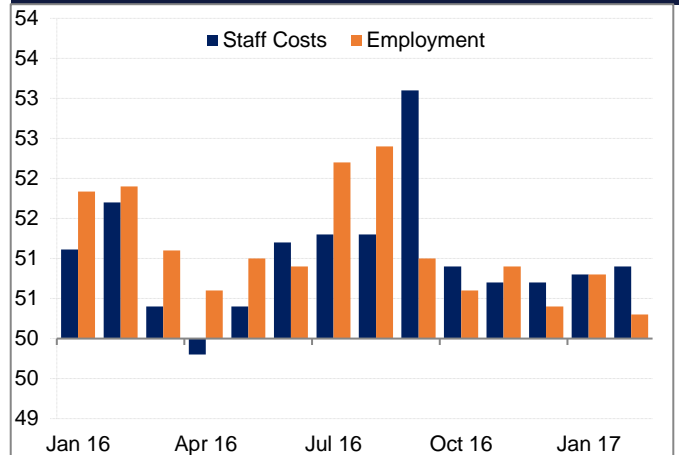
New Orders and New Export Orders



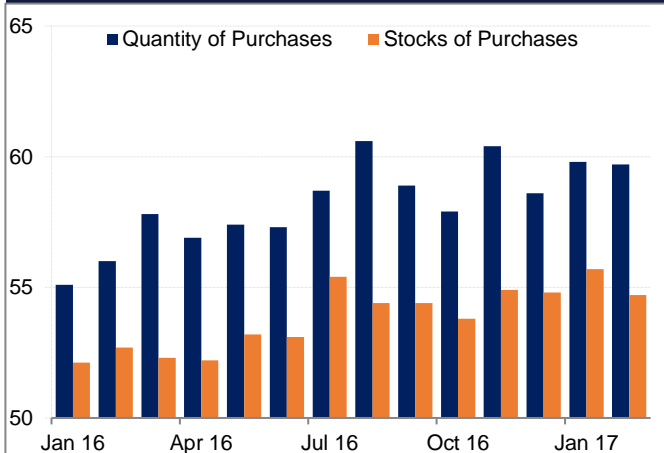
Input Costs and Output Prices



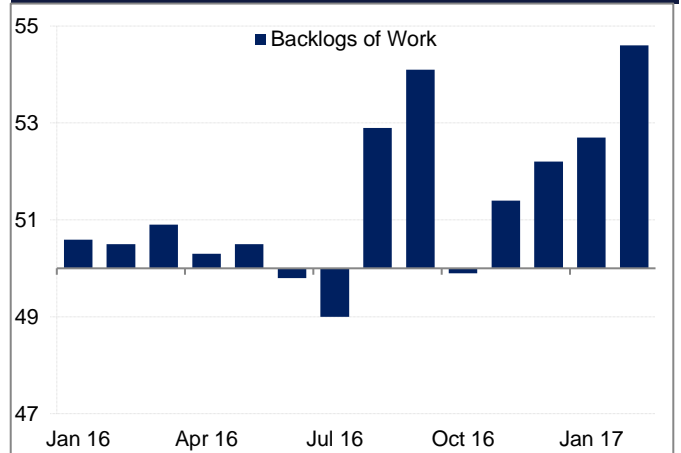
Employment and Staff Costs



Purchasing and Inventory



Backlogs of Work



Source: IHSMarkit, Emirates NBD Research

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