



بنك الإمارات دبي الوطني
Emirates NBD

Economics
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Saudi PMI broadly unchanged in October

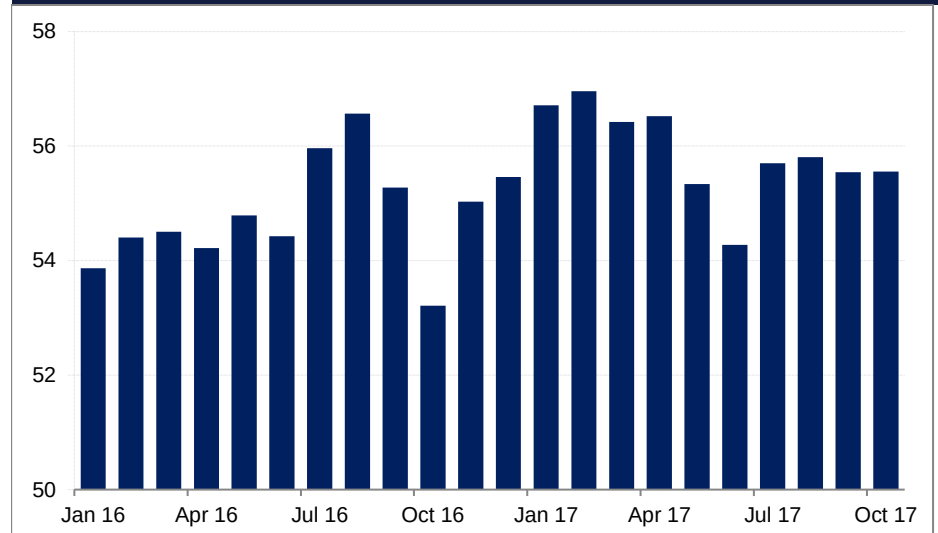
The Emirates NBD Saudi Arabia Purchasing Managers' Index (PMI) increased just 0.1pt to 55.6 in October, not much changed from the readings over the last 3 months. Nevertheless, a reading in the mid-50s points to a solid rate of expansion in the non-oil sector last month, and indeed for most of this year. Output and new orders increased at a sharp rate again last month, with both sub-indices posting above 60 in October. New export orders were unchanged on average, indicating that the demand was largely domestic. Firms surveyed cited "strong market conditions" and "successful marketing campaigns" as factors contributing to rising new work in October.

While the extent of price discounting in Saudi Arabia is not as much as in the UAE (only 1.6% of firms reported cutting selling prices in October compared with 8.1% in the UAE), **there doesn't appear to be much pricing power in the kingdom**. The average selling price index year-to-date is 50.4, close to the neutral 50.0 and below the series average. Meanwhile input prices have increased at a faster rate, with this index averaging 52.8 in January through October 2017. **While employment did increase at the fastest rate in five months in October (index at 51.3), the overall pace of jobs growth is modest**. The employment index averaged 50.8 year-to-October, lower than the same period last year and below the series average of 52.7. Staff costs were nearly flat on average in October, suggesting little in the way of wage growth in the private sector.

Business optimism rose sharply in October, with this component of the survey reaching the highest level since May. Firms also increased their purchasing activity at the fastest rate in six months, while the rise in pre-production inventories was the strongest in the series history, as businesses anticipated stronger demand in the coming weeks.

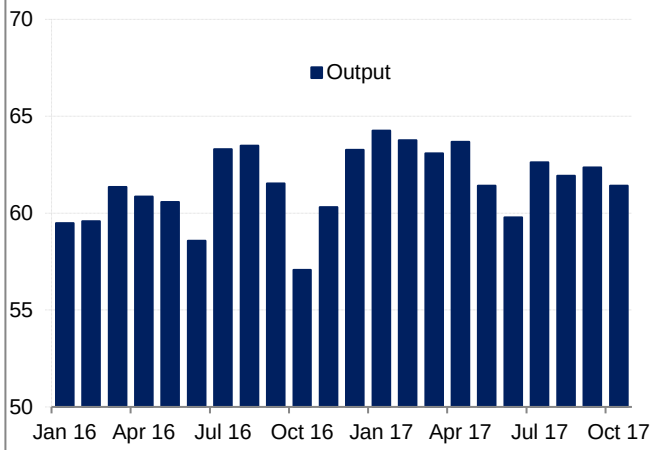
While non-oil growth in H1 2017 was a little softer than we had expected, the PMI survey data so far in H2 suggests that business conditions have continued to improve and firms are expecting increased activity in the coming months. We expect that sentiment will continue to be underpinned by the announcement of new economic reforms and initiatives (including the recent announcement of the construction of a new city, Neom, which came after the October survey was conducted). Overall, we maintain our forecast of 0.5% real GDP growth in 2017, and we expect this to accelerate to 2.5% in 2018.

Emirates NBD Saudi Arabia Purchasing Managers' Index

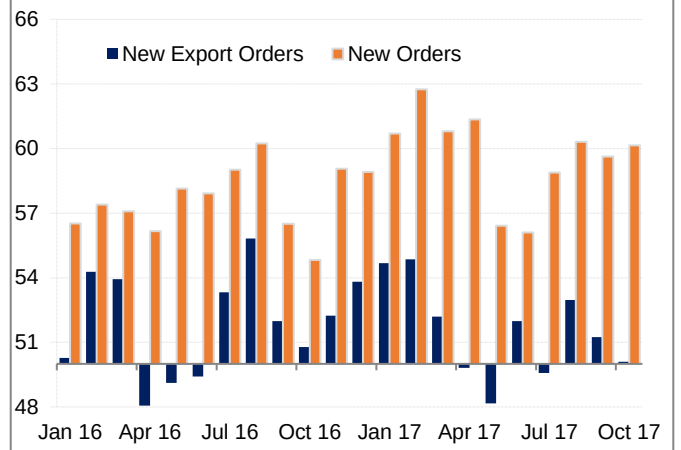


Source: IHS Markit, Emirates NBD Research

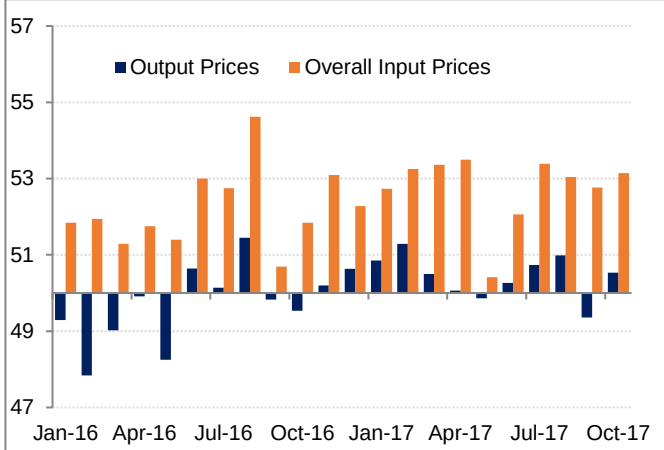
Output/ Business Activity



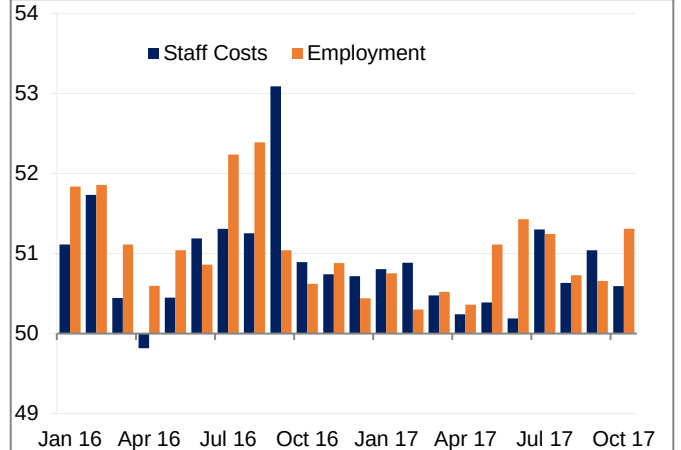
New Orders and New Export Orders



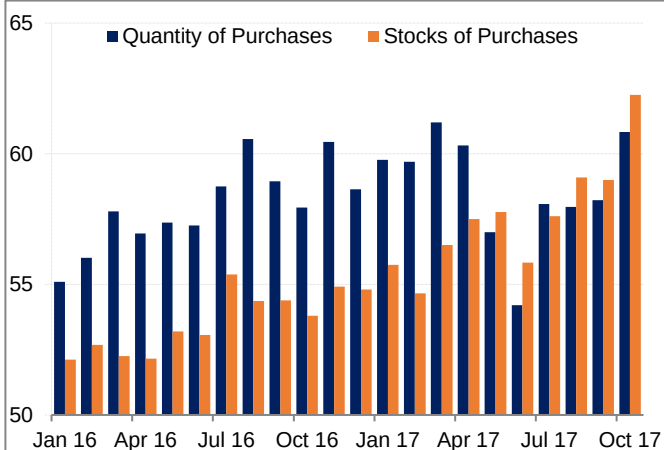
Input Costs and Output Prices



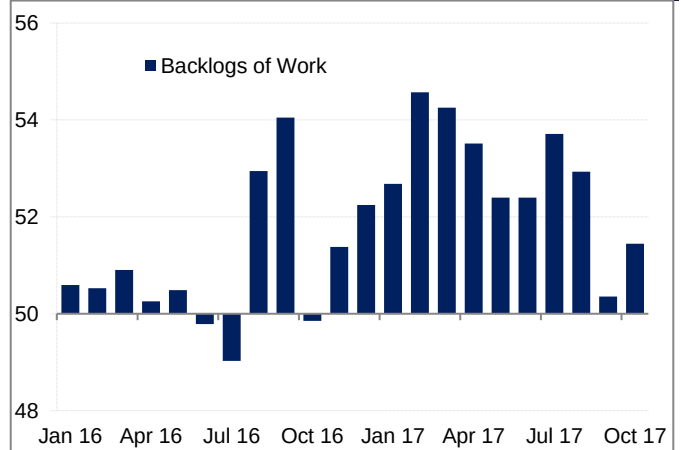
Employment and Staff Costs



Purchasing and Inventory



Backlogs of Work



Source: IHSMarkit, Emirates NBD Research

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