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Saudi private sector slows in September

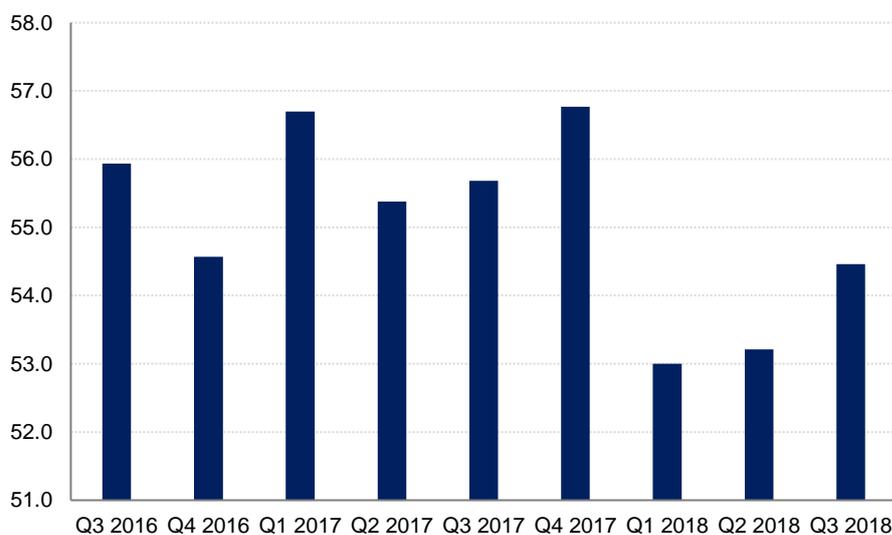
The headline Emirates NBD Saudi Arabia Purchasing Managers' Index (PMI) declined to 53.4 in September from 55.1 in August and the lowest reading since May. The decline was due to softer growth in output and new orders, with new export orders contracting last month. Employment and inventory growth were also weaker in September, weighing on the headline PMI.

The employment index fell to 50.7 in September, the lowest since November 2017, as nearly 97% of firms surveyed indicated 'no change' in staffing last month. Staff costs (a proxy for wages) declined marginally for the first time April 2016. Firms also cut selling prices for the third month in a row in September even as input costs rose. However, the rate of producer price inflation eased from August.

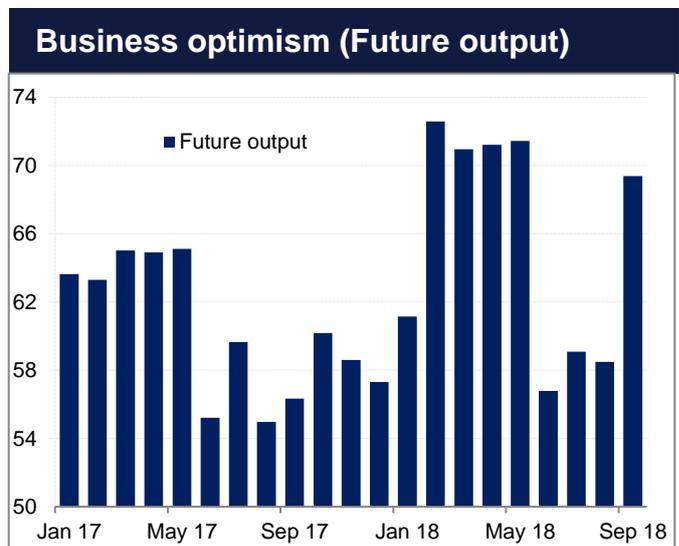
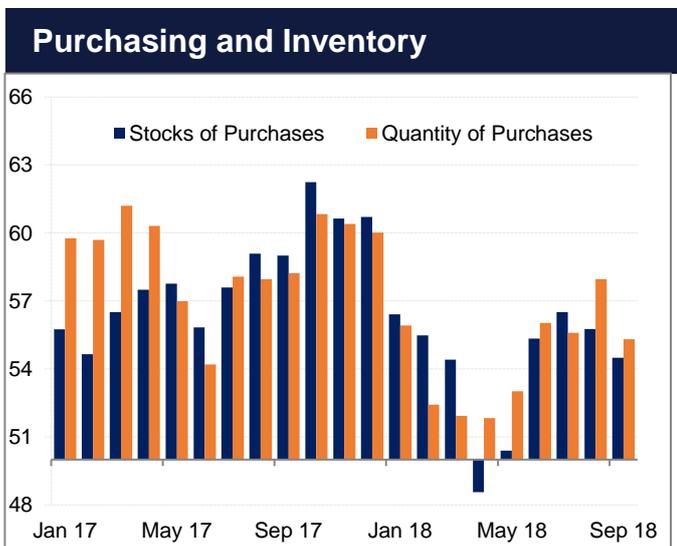
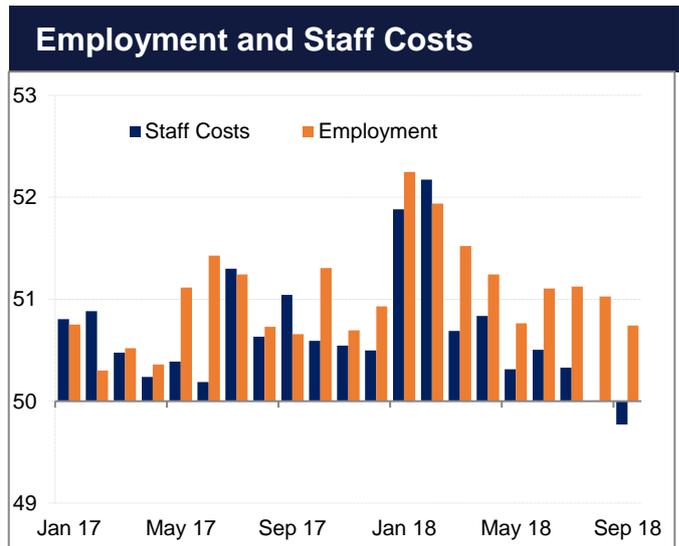
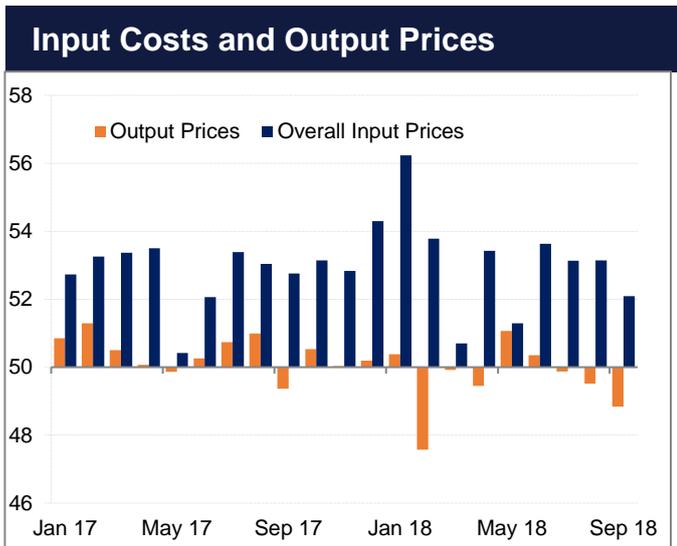
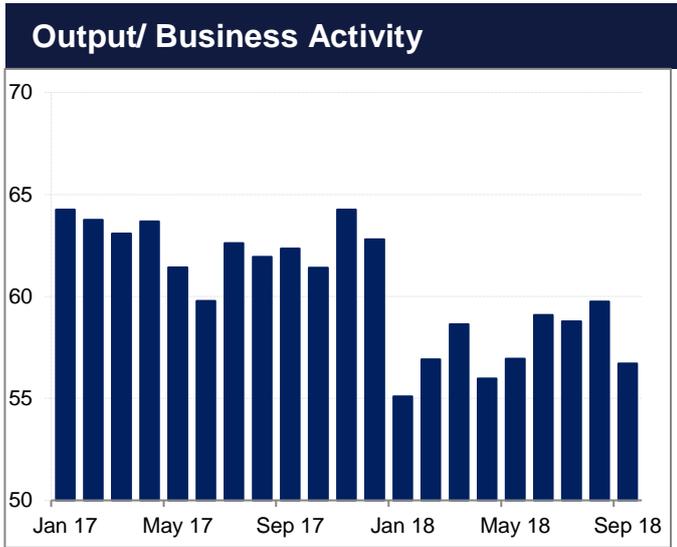
Despite the relative softness in the September survey, the PMI for Q3 was higher than in both Q1 and Q2 2018, with output and new work rising at a faster rate than in the first half of this year. However, this did not translate into faster employment growth and staff costs were flat on average in Q3. Margin pressure is evident as input costs have increased while selling prices have declined slightly. Nevertheless, **the data does suggest that Q3 non-oil GDP growth was stronger than H1 2018.**

The September survey data points to slower growth in the non-oil private sector in last month, which is surprising given the backdrop of rising oil prices and sharply higher oil production since June. However, we remain optimistic that sustained higher oil production will support faster expansion in the non-oil sectors in Q4, particularly manufacturing, transport & logistics. **This view appears to be shared by the majority of firms surveyed, as nearly 39% of firms surveyed expect their output to be higher in 12 months, the most since the May survey.**

Saudi Arabia PMI: Q3 PMI is higher than Q1 and Q2 despite weak September reading



Source: IHS Markit, Emirates NBD Research



Source: IHS Markit, Emirates NBD Research

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