



بنك الإمارات دبي الوطني  
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# Saudi PMI ticks up in October

The headline Emirates NBD Saudi Arabia Purchasing Managers' Index (PMI) rose slightly to 53.8 in October from 53.4 in September, as employment and new order growth picked up. New export orders also recovered after contracting in September, reflecting increased external demand. However, output rose at the slowest rate since April, suggesting that the rise in new work has yet to feed through to actual output.

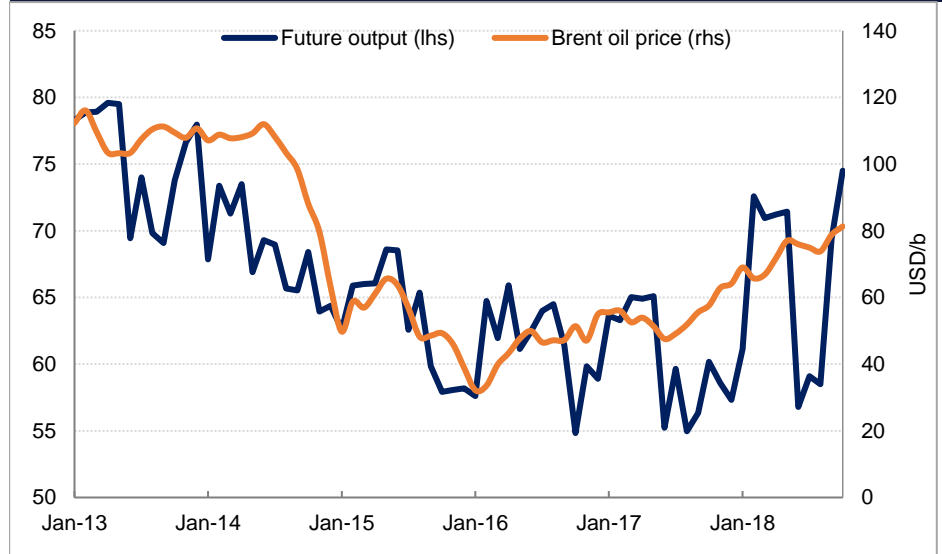
The employment index rose to 51.3 in October from 50.7 in September. While this is the highest reading since March, it still indicates only a modest increase in jobs – indeed only 3.1% of private sector firms surveyed indicated they had hired more staff last month. Staff costs, a good proxy for wages, remained below the neutral 50.0 level for the second month in a row, pointing to fractional wage deflation on average in the private sector.

Output (selling) prices increased modestly in October after declining in the prior three months. At the same time, input costs declined slightly last month on lower purchase costs, providing some relief for firms' margins.

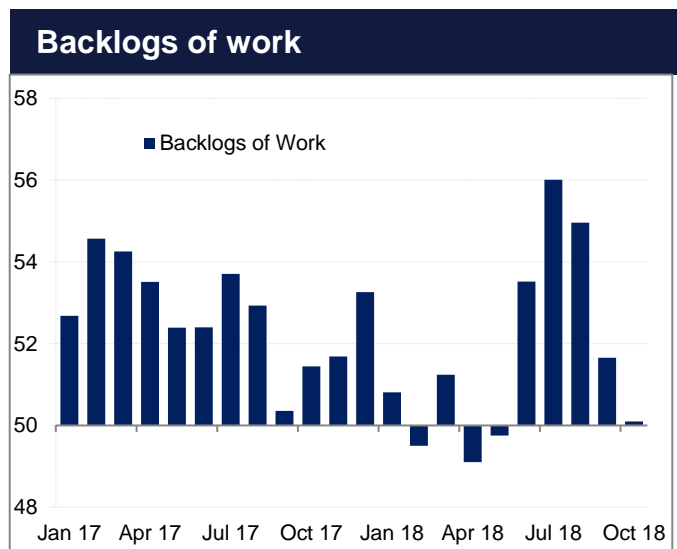
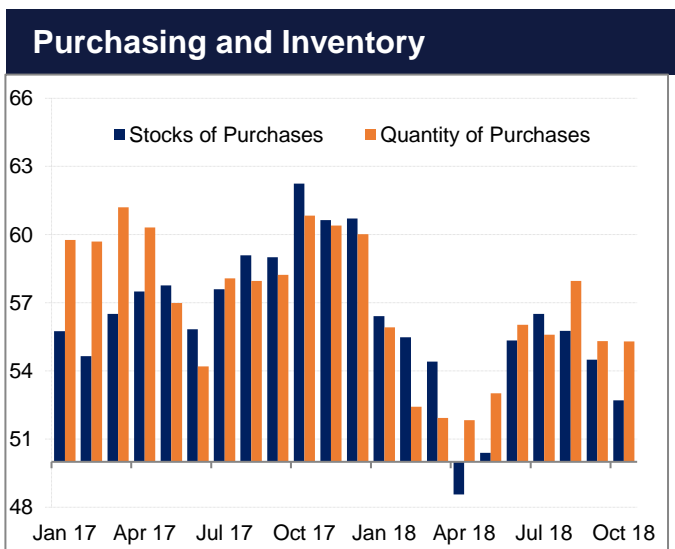
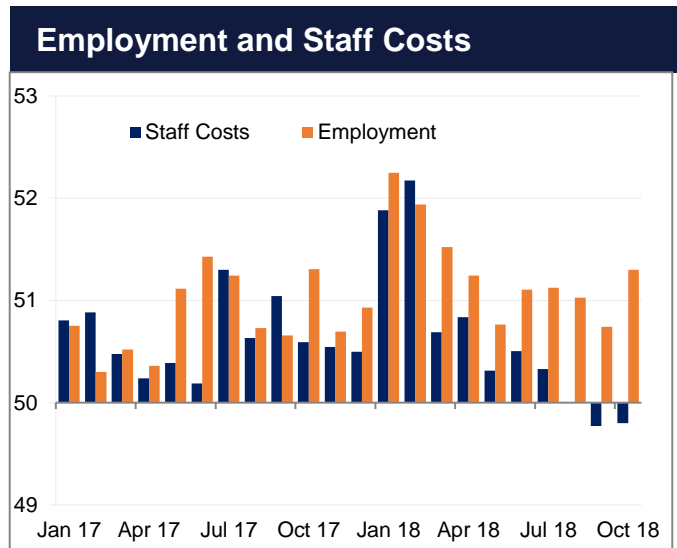
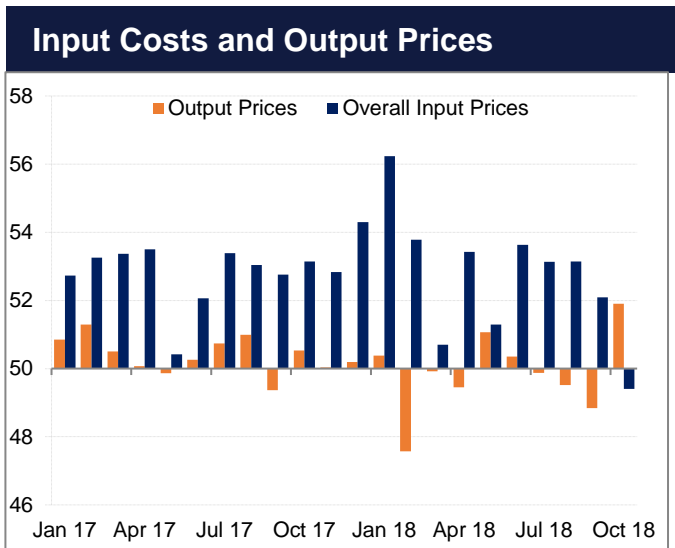
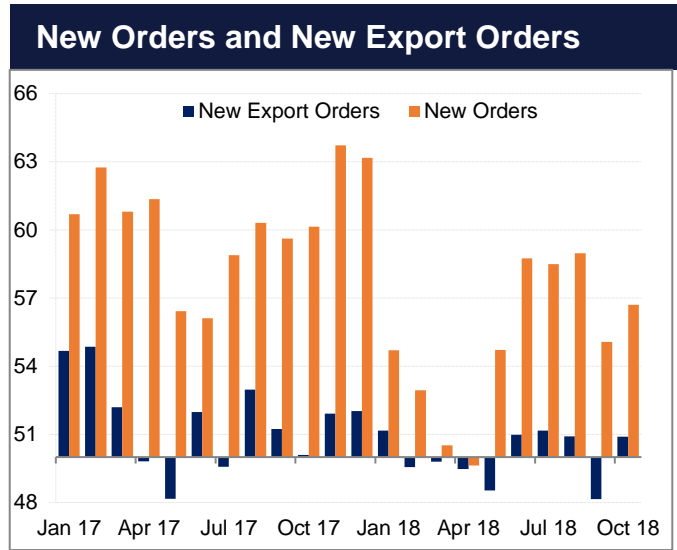
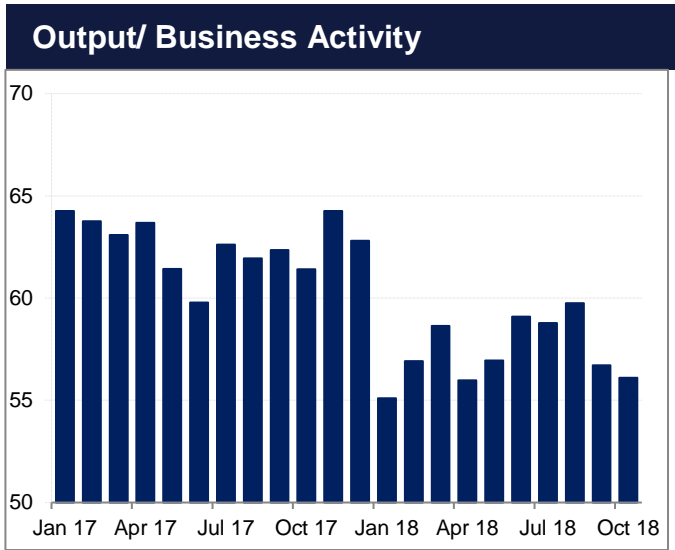
Business optimism about future output increased markedly in October, with nearly half of all firms surveyed expecting their output to be higher in a year's time, while the other half expected current levels of output to be sustained. The rise in Brent oil prices to over USD 80/b on average last month – the highest level since October 2014 - likely contributed to improved business sentiment, and the government also signalled increased budget spending in 2019 in its pre-budget statement released in October.

The survey data year-to-date suggests that non-oil sector growth has been slower than in 2017. However, slower non-oil sector growth is likely to be offset by stronger oil sector growth, as the Kingdom ramps up oil production. Overall, we retain our 2% GDP growth forecast for Saudi Arabia in 2018.

## Saudi Arabia PMI: Higher oil price boosts business sentiment



Source: IHS Markit, Emirates NBD Research



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