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Economics

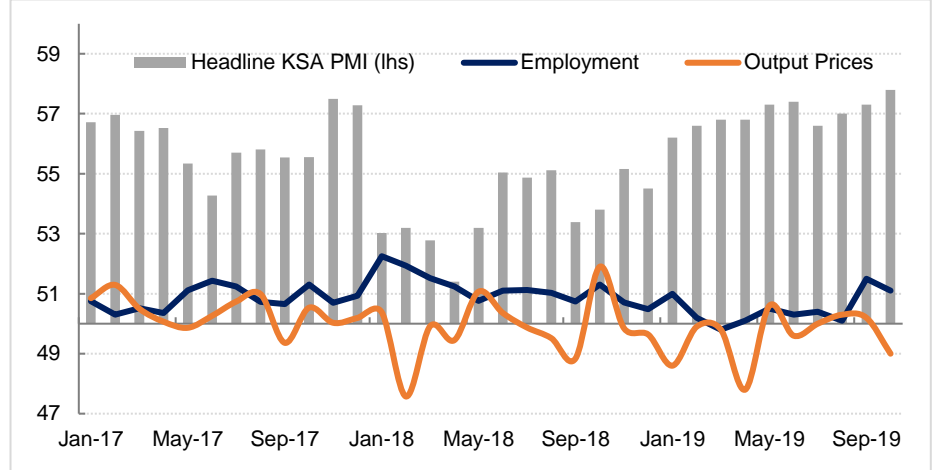
5 November 2019

MENA PMIs: October round-up

Saudi PMI rises to 57.8 on strong new order growth

Saudi PMI posted the highest reading in more than four years in October, rising to 57.8 from 57.3 in September. Output growth remained solid while new order growth accelerated despite softer external demand. New export orders increased in October but at the slowest rate in seven months, suggesting that the main driver of increased output and new work is domestic demand. There was very little input price inflation, and selling prices declined slightly. Private sector employment rose only modestly in October, despite the sharp increase in new work and output.

Saudi PMI rises on domestic demand



Source: IHS Markit, Emirates NBD Research

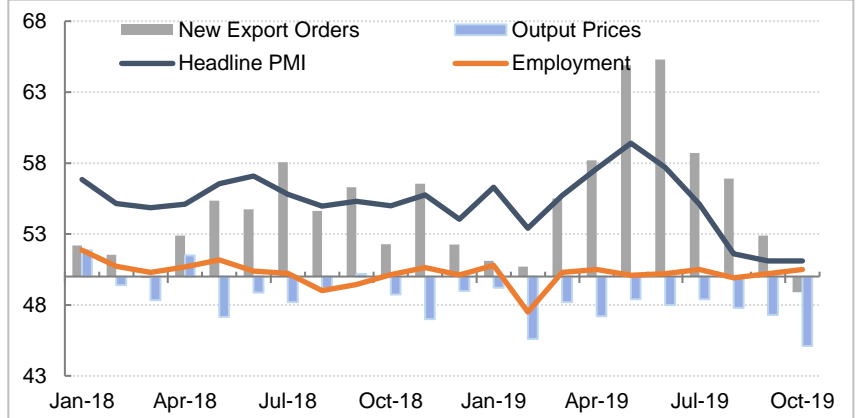
UAE PMI unchanged at 9-year low

The UAE PMI remained at 51.1 in October, the lowest reading since May 2010, as both activity and new work increased at a slower pace. New export orders declined for the first time since March 2018 and contributed to the weakest growth in new work in the series history. The lacklustre growth in activity and new work was despite further price discounting on the part of firms – selling prices fell in October at the sharpest rate since the survey began in August 2009. In response to the challenging market conditions, firms increased promotional activity despite facing modestly higher input costs. Businesses also cut back on their purchasing activity and stocks of inventories declined marginally in October.

Private sector employment was marginally higher in October on average, with the employment index at 50.5. Firms remained optimistic about their prospects over the next year, despite the weak October survey, with Expo 2020 expected to boost demand and drive increased activity.

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UAE PMI: Steep price discounting in the face of soft demand



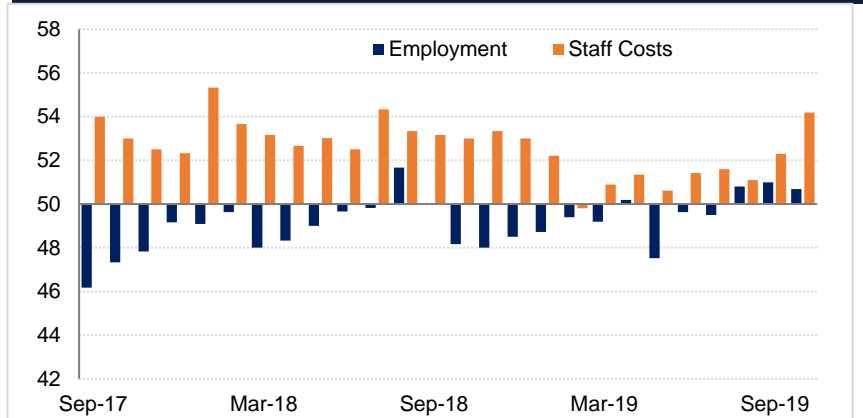
Source: Haver Analytics, IHS Markit, Emirates NBD Research

Egypt's PMI remains contractionary

Egypt's PMI dipped modestly in October, falling to 49.2, from 49.5 in September. The index remains stubbornly in contractionary territory, having only breached the neutral 50.0 level twice this year. While the interest rate cutting environment looks more conducive for improved non-oil private sector activity hereon in, this had not yet materialised in the October survey.

Notably, output took a significant step backward, while new orders also fell, driven by a marked drop-off in new export orders, which turned contractionary for the first time since June. On the positive side, employment continued to expand for the third consecutive month, while staff costs expanded at the fastest pace since last July. This bodes well for private consumption next year, especially as households also benefit from ongoing disinflation – output prices continued to expand at a lower-than-average pace. The majority of respondents remained positive towards future output.

Egypt:



Source: IHS Markit, Emirates NBD Research

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