



بنك الإمارات دبي الوطني  
Emirates NBD

Economics  
3 May 2018

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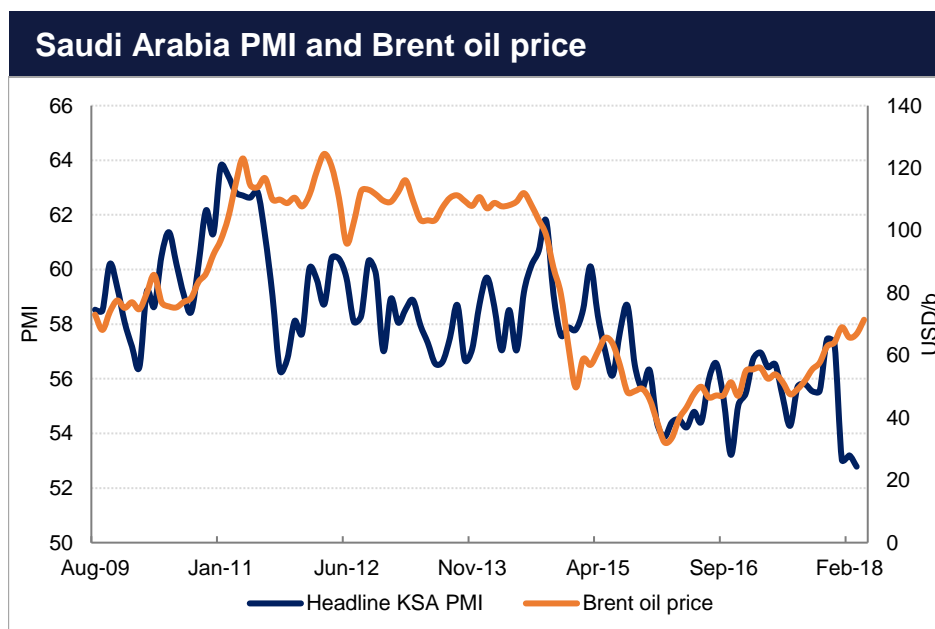
## Saudi PMI: Another new low in April

The Emirates NBD Saudi Arabia Purchasing Managers' Index (PMI) fell to just 51.4 in April, down from 52.8 in March, and the lowest reading since the series began in August 2009. New orders contracted in April, with the index falling below the neutral 50.0 level for the first time in the series history. Firms blamed subdued market demand, competitive pressures and "unpredictable economic conditions" as reasons for the decline in order books last month. Export orders also contracted (albeit modestly) for the third month in succession. Output increased in April, but at the slowest rate in three months.

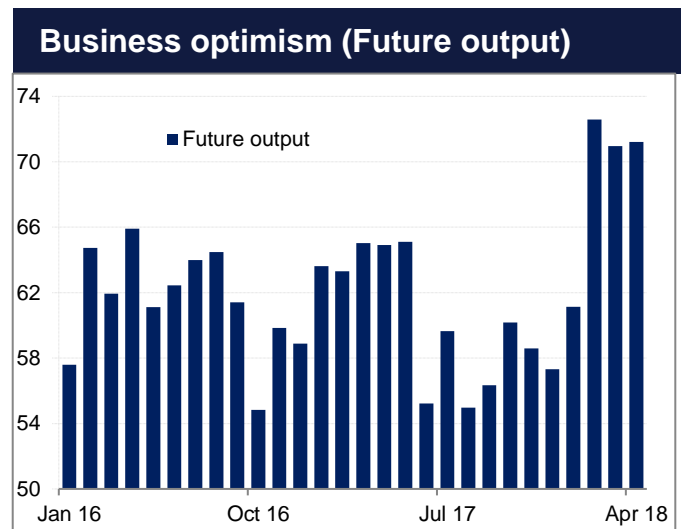
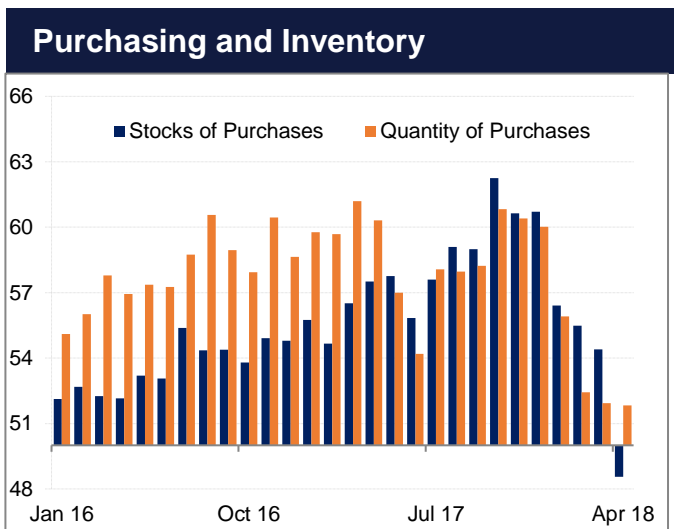
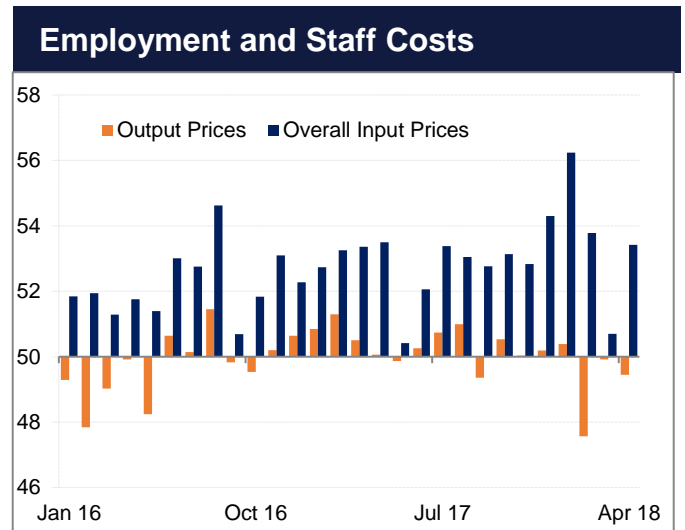
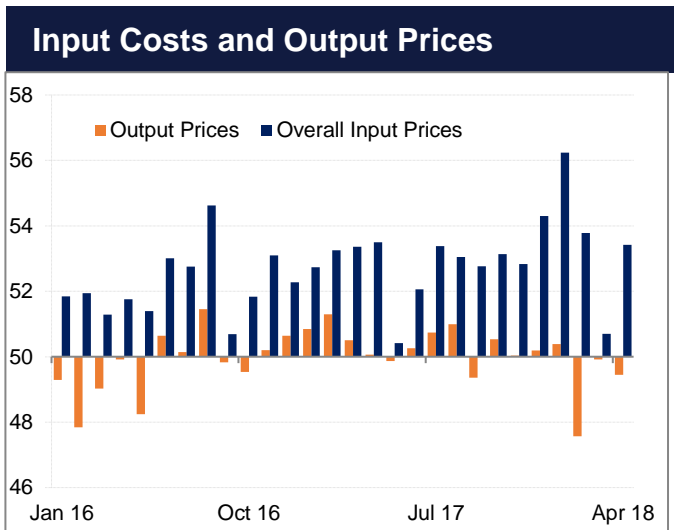
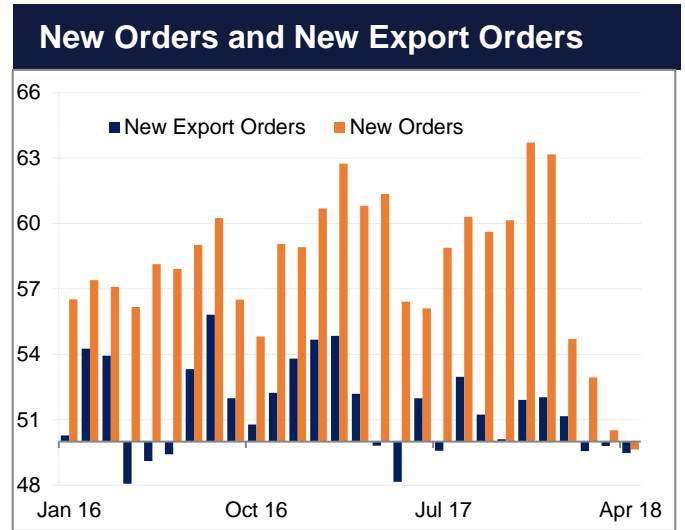
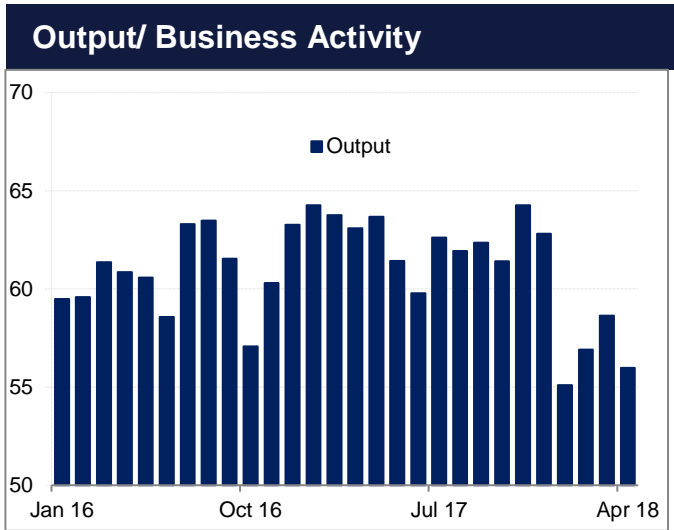
Employment increased modestly in April, despite the weakness in new orders. However, stocks of pre-production inventories declined, also a first in the series history. The backlogs of work fell in April, again likely reflecting softer demand. Input costs increased at a sharper rate than in March, with this largely due to higher purchasing costs. Despite higher input costs, **selling prices declined modestly in April for the third month in a row**. Some firms indicated they had offered discounts in a bid to stimulate demand. Despite the overall weak survey in April, future expectations remained high, with around 43% of firms expecting their output to be higher in a year's time.

The average PMI for Saudi Arabia year-to-date is 52.6. This is well below the average for 2017 of 56.1, and also much lower than the long-run series average of 57.9. **That non-oil private sector activity has slowed so sharply this year is surprising to us, particularly when we consider 1) the expansionary budget that was announced for 2018 to support growth in the non-oil sectors and 2) the unexpectedly high oil price year-to-date, which usually drives stronger non-oil sector activity.** One possible explanation is that budget execution so far this year has not been as strong as we might have expected, with a recent Bloomberg report indicating that some contractors in the Kingdom are still facing significant payment delays despite the substantial boost in government oil revenue since the lows of early 2016. Another consideration is that uncertainty following the November anti-corruption crackdown has weighed on businesses activity and investment in the private sector.

Regardless of the reason, the softer than expected survey data year-to-date raises the downside risks to our 2.5% Saudi GDP growth forecast for 2018.



Source: IHS Markit, Emirates NBD Research



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