



بنك الإمارات دبي الوطني  
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# Saudi PMI: A good start to 2019

The headline Emirates NBD PMI for Saudi Arabia rose to its highest level in more than a year in January. The main driver was an acceleration in new orders growth, which appears to have been domestically driven, as export orders remained broadly flat m/m. Some of the growth in new orders was likely due to price discounting: **output prices fell by the most since May 2016**. Firms were able to reduce selling prices as their purchasing costs also declined in January.

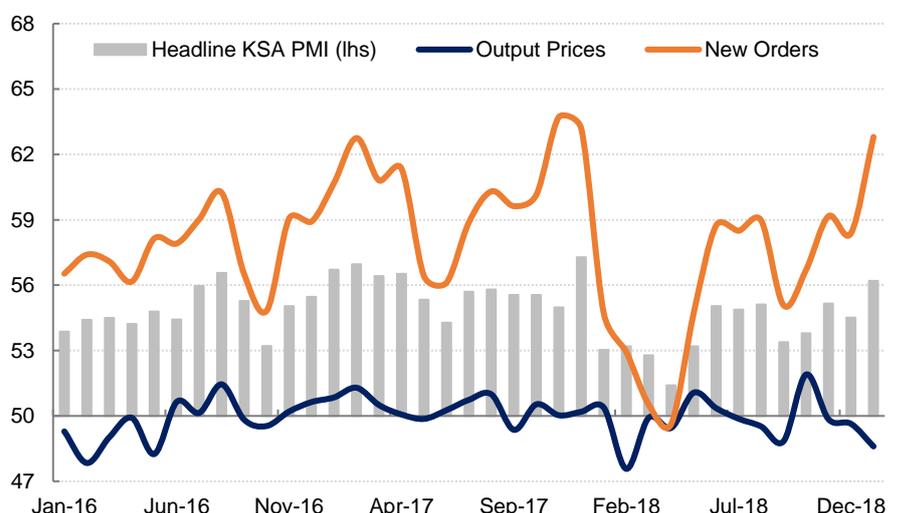
Output increased at a similar rate to December. The output index was slightly higher in January than in Q4 2018, but is still below the historical average of 63.0 suggesting that growth in output is still weaker than in previous years. Firms increased their quantity of purchases in January, probably reflecting stronger order growth, and stocks of pre-production inventory also rose the most since September 2018.

The PMI survey showed only a **modest rise in private sector jobs and wages last month**, with 2.5% of firms surveyed reporting increased hiring and 2% reporting wage increases. Indeed the latest official data on jobs (Q3 2018) does not suggest a strong labour market, with fewer Saudis and non-Saudis in employment in Q3 2018 compared with a year earlier and fewer Saudis looking for work as well.

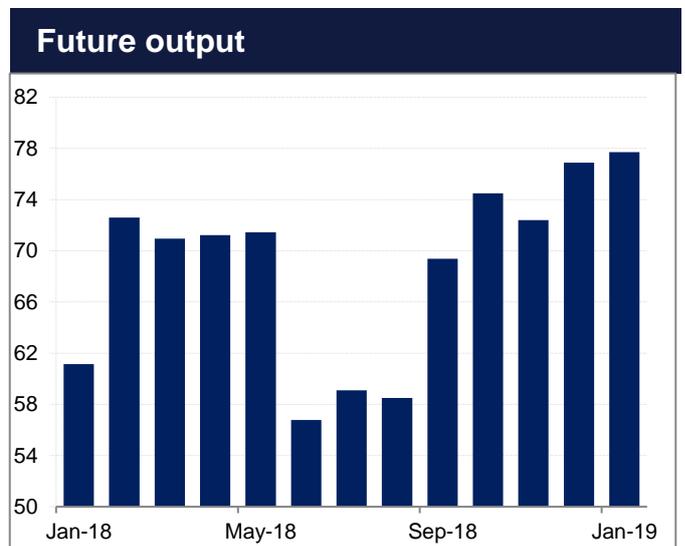
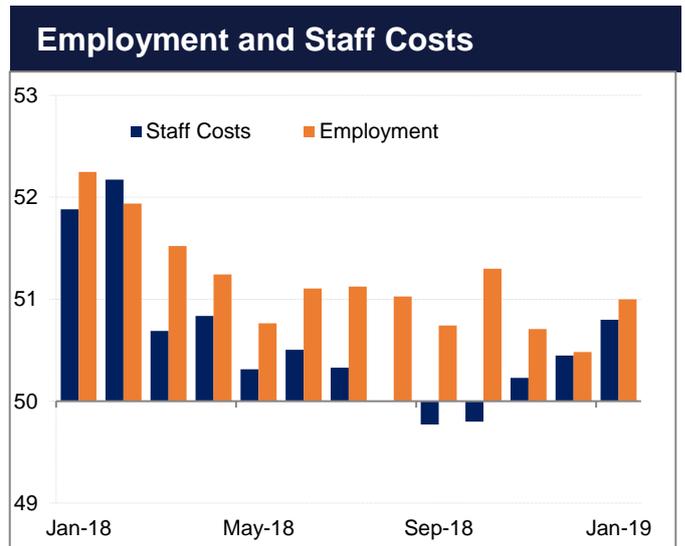
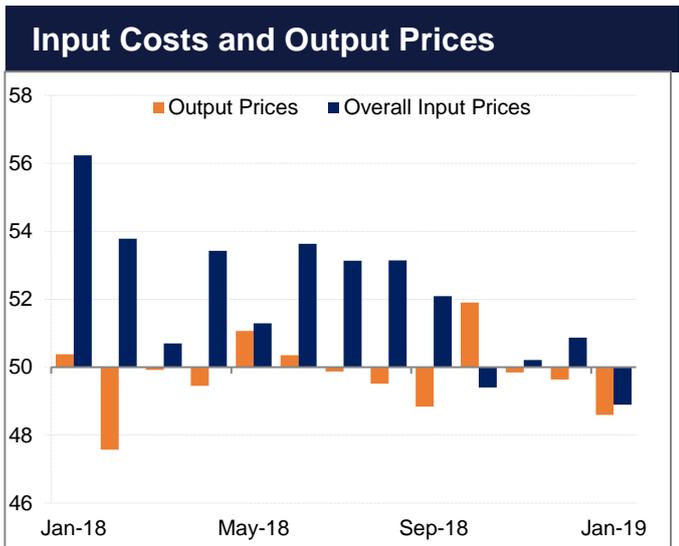
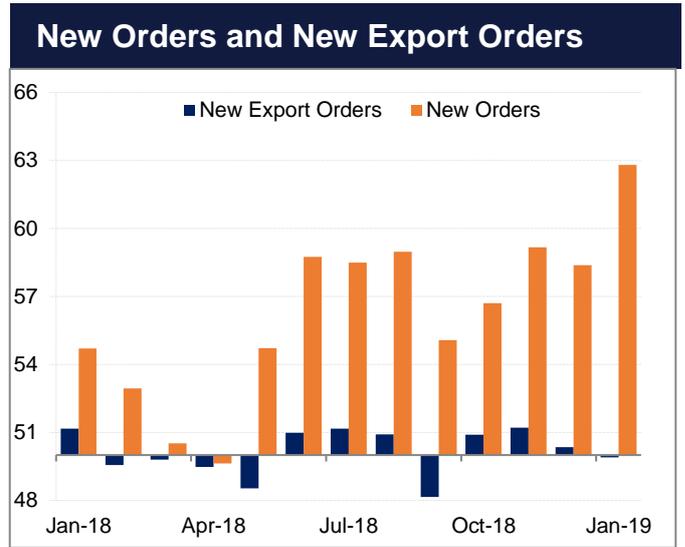
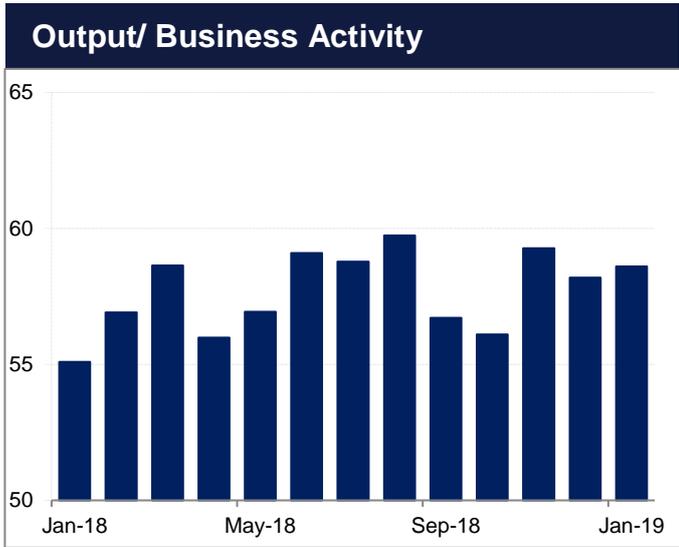
**Business optimism about future output was the highest in more than five years in January 2019**. The government has announced an ambitious budget for this year, with expenditure projected to rise more than 7%, as well as a number of initiatives to boost investment and expansion in the non-oil sectors of the economy, which likely contributed to positive business sentiment. The recovery in oil prices last month after a sharp sell-off in December likely also helped.

We expect non-oil sector growth to accelerate this year, provided oil prices remain in the USD 60-70/b range, although oil sector growth is likely to be slower as a result of oil production cuts. **Overall, we expect the Saudi economy to grow 2.0% this year from an estimated 2.3% in 2018.**

## Saudi Arabia PMI: Price discounting supports new order growth in January



Source: IHS Markit, Emirates NBD Research



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